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FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY MARCH 9 1993 — D8523A

Reverse for Major over progress of Maastricht treaty

British prime minister John Major yesterday suffered a sharp reverse when he lost a parliamentary vote over the Maastricht treaty on European union. Although it involved only a minor amendment to legislation ratifying the treaty, the vote was a trial of strength between the prime minister and rebels in his Conservative party. The rebels joined forces with opposition parties to inflict a 314-292 defeat on Mr Major. Page 16

UK to renew top-level links with Palestinians

Britain will today resume top-level contacts with the Palestine Liberation Organisation for the first time since 1990, when links were broken because the PLO backed Iraq's invasion of Kuwait. Foreign Office minister Douglas Hogg is to meet Faisal Husseini, leading representative of the Palestinians in the occupied territories, Afif Safieh, head of the PLO delegation in London, and a representative from PLO headquarters in Tunis.

Settlers fire on Arabs: A 20-year-old Palestinian was killed in the Gaza strip when Jewish settlers returning from a funeral fired on Arab workers. Earlier two Palestinians stabbed their Jewish settler employer to death. Page 4

Bosnian counter-attack: Bosnia's army commander ordered a counter-offensive against Bosnian Serbs in the east of the country. General Sefir Halilovic said he was acting "to prevent the massacre of innocent people" in besieged Moslem enclaves. Page 16; UN pressure, Page 2

Marc Rich, the Belgian-born international commodity trader, is retiring as head of Marc Rich & Co, the big trading company he founded in 1973. He will reduce his shareholding in the Swiss-based company from 50 per cent to 15 per cent over five years. Page 17

Banque Indosuez, subsidiary of troubled French holding company Suez, disclosed a sharp fall in annual net profits from FFr805m ($143.2m) in 1991 to FFr101m last year. Indosuez was forced to raise net provisions from FFr1.55bn in 1991 to FFr3.59bn in 1992 mainly because of its losses on property loans. Page 17

Imperial Chemical Industries of the UK and US generics group Barr Laboratories have settled a drugs patent dispute, helping clear the way for Zeneca, an ICI subsidiary, to make its £1.3bn ($1.8bn) rights issue in June. Page 17

Leyland Daf Finance, the main credit line for purchasers of Leyland Daf trucks and vans in the UK, is being investigated for possible fraud by Britain's Serious Fraud Office. At issue are finance contracts made out on vehicles bought before receivers were called in to the commercial vehicle-making operations. Page 6

Afghan peace: Afghan guerrilla leader Gulbuddin Hekmatyar, whose troops killed at least 1,000 people and injured 6,000 in attacks on Kabul this year, was appointed prime minister following a peace accord signed at the weekend. But diplomats say the deal offers no guarantees that Afghanistan can overcome the bloody rivalries which have long plagued it. Page 4

Recession's silver lining: Intrum Justitia, Europe's biggest debt collection agency, improved annual taxable profits by 26 per cent to £16m. ($22.7m). "We get more debtors in recession, but they are less likely to pay back," said Gunilla Demnert, finance director of the Dutch-based, London-listed company.

No voice for Hong Kong: Senior Chinese official Zhou Nan said he hoped China and Britain would soon reach agreement over Hong Kong, but he ruled out any voice for Hong Kong in talks.

British bishop quits: A 61-year-old Anglican bishop resigned over allegations of indecency with a 17-year-old novice monk. The Church of England said Peter Ball, Bishop of Gloucester quit after being cautioned by police.

Sacking was fair: An assistant vice-president of Chemical Bank, sacked for allegedly importing shirts from Hong Kong and selling some around the office, was fairly dismissed, a UK industrial tribunal ruled. Andrew Morgan, who worked at a Welsh office of the US bank, had claimed unfair dismissal. Page 6

STOCK MARKET INDICES

FT-SE 100:	2957.3	(+35.2)
Yield	4.07	
FT-SE Eurotrack 100	1165.04	(+5.34)
FT-A All-Share	1438.22	(+1%)
Nikkei	17,686.47	(+868.77)
New York lunchtime:		
Dow Jones Ind Ave	3447	(+42.42)
S&P Composite	452.34	(+6.23)

US LUNCHTIME RATES

Federal Funds:	3 1/16%
3-mo Treas Bills: Yld	3.833%
Long Bond	105 3/8
Yield	6.69

LONDON MONEY

3-mo Interbank	5 15/32%	(6%)
Liffe long gilt future:	Mar 106 3/16	(Mar 106 1/32)

NORTH SEA OIL (Argus)

Brent 15-day (Apr)	$19.14	(19.475)

Gold

New York Comex (Apr)	$327.7	(330.4)
London	$327.15	(329.95)

STERLING

New York lunchtime:		
$	1.442	
London:		
$	1.4455	(1.446)
DM	2.4025	(2.41)
FFr	8.1425	(8.1725)
SFr	2.2225	(2.235)
Y	168.5	(170.25)
£ Index	77.6	(77.9)

DOLLAR

New York lunchtime:		
DM	1.66155	
FFr	5.6315	
SFr	1.5373	
Y	116.725	
London:		
DM	1.6625	(1.667)
FFr	5.6325	(5.6525)
SFr	1.538	(1.546)
Y	117.6	(117.65)
$ Index	66.3	(66.5)

Tokyo close Y 117.38

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft172	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	India	Rs40	Neth	Fl 3.75	Slovak Rp	Kcs45
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira25	Spain	Pta200
Czech Rp	Kcs45	Israel	Shk5.90	Norway	NKr16.00	Sweden	SKr15
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Switz	SFr3.20
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Syria	S£50.00
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Thailand	Bht50
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000
						UAE	Dh11.00

Bosnians launch offensive 'to prevent a massacre'

By Robert Mauthner, Diplomatic Editor, in London

BOSNIA'S army commander, General Sefir Halilovic, yesterday ordered his forces to launch a counter-offensive against Bosnian Serb troops in the east of the country, "to prevent the massacre of innocent people" in besieged Moslem enclaves.

The lives of thousands of women, children, old, wounded and exhausted people were at risk in the region, following a 10-day assault by the Bosnian Serb army, Gen Halilovic told Sarajevo radio.

Moslem leaders fear the besieged Moslem enclaves of Srebrenica and Konjevic Polje in the eastern Bosnian highlands are under imminent threat from Serbian forces, following the occupation of nearby Cerska last week.

Meanwhile EC foreign ministers in Brussels yesterday discussed a proposal by international mediator Lord Owen that the Bosnian peace plan be submitted to the United Nations Security Council for endorsement, even if the Bosnian Moslems subscribe to it but the Serbs do not.

General Philippe Morillon, commander of the UN forces in Bosnia, said after talks with Serb leaders, in their administrative headquarters of Pale, near Sarajevo, that the Serbs had agreed to the evacuation of Moslems from the two enclaves this week.

They would allow a UN High Commissioner for Refugees convoy to go to Konjevic Polje today and trucks could probably return to Srebrenica on Thursday.

But officials warned that such deals had often broken down in the past when it came to implementing them. A UNHCR official and a World Health Organisation doctor, who went to Srebrenica last weekend, said some 2,000 people were ill and around 30 were dying 30 each day.

The announcement of the Moslem offensive marked the end of a unilateral ceasefire declared several weeks ago by government forces.

At the same time, Gen Halilovic withdrew from talks in Sarajevo with General Ratko Mladic, the Serb military commander, and Gen Morillon on a truce in eastern Bosnia.

President Alija Izetbegovic, the Moslem Bosnian president, defended the counter-offensive by stressing that "any measure to protect these people from slaughter is a legitimate measure".

Gen Halilovic said that all available Moslem military units in the region had been ordered to take part in the attack against Vlasenica, which commands a vital road link for Serbs between their administrative headquarters at Pale and Serb-occupied territory in northern Bosnia.

Though Serb army headquarters confirmed heavy fighting was taking place in several areas of eastern Bosnia, it claimed that Moslem units had been repulsed and had suffered heavy losses.

Mr Halilovic "has no chance of success," General Mladic said. "He is sacrificing his own people for nothing."

Under a proposed peace settlement put forward by international mediators Cyrus Vance and Lord Owen, most of the area in which the fighting is taking place has been allocated to the Moslems. But the western nations have accused the Bosnian Serbs of wanting to consolidate their territorial gains by pushing the Moslems out of eastern Bosnia.

UN to see peace plan, Page 2
Picture, Page 16

Spain may hold up European trade treaty

By Lionel Barber in Brussels

SPAIN UPSET its 11 European Community partners yesterday by threatening to delay ratification of the European Economic Area, the treaty creating a free trade area of 370m people from the Arctic to the Mediterranean.

Signalling growing frustration with the delay in ratification of the Maastricht treaty, Spain announced a "go-slow" on parliamentary approval of the EEA.

Mr Carlos Westendorp, a senior Spanish diplomat, told reporters that the Spanish parliament would wait until after the November elections to complete EEA ratification. He implied the delay was linked to the hold-up in approval of the Maastricht treaty in Denmark and the UK.

Mr Westendorp said: "July 1 is not a realistic date. Some of us are going to take a good deal longer, not least because we (the EC) have the Maastricht treaty to deal with."

The unilateral Spanish declaration caused consternation at a meeting of EC foreign ministers in Brussels. EC delegations had hoped to secure a joint commitment to ratify the EEA treaty between the EC and the European Free Trade Association in all 18 countries by July 1.

The majority view in Brussels last night was that the EEA would come into force this year.

A plea for the UK government to re-establish a clear economic strategy is made today by Lord Howe, former chancellor and foreign secretary. He warns in an article in the Financial Times that a budget deficit threatens Britain with a return to the stop-go economic cycles of the 1960s and 1970s. Page 14

"July 1 was never a realistic deadline," said a Dutch diplomat.

Spain's move cast a shadow over efforts to repair the damage to the EEA caused by Switzerland's rejection of the treaty in a December referendum. It could jeopardise a compromise under which the other six Efta members will contribute between 60 and 70 per cent of Switzerland's expected contribution to the EC's poorest countries – Greece, Ireland, Spain and Portugal.

The new protocol on these so-called "cohesion funds" was already weighted heavily in favour of the Community. Spain's threat to delay ratification of the EEA could complicate enlargement negotiations with Austria, Finland, Sweden and Norway, the four Efta countries who have applied to join the EC, they hope by 1995, Brussels diplomats said. Finland, is thought to be

Continued on Page 16

SPD says voter disaffection points to a 'crisis of confidence'

German democracy under threat warns opposition leader

SDU leader Björn Engholm: warning of growing insecurity in the German population, with rising unemployment and threats of further public spending cuts

By Quentin Peel in Bonn

THE FUTURE of Germany's democratic system is threatened by voters' disaffection with the two main political parties, Mr Björn Engholm, the leader of the opposition Social Democrats, warned yesterday.

A slide in the fortunes of both the SPD and Chancellor Helmut Kohl's rival Christian Democrats in local elections in the state of Hesse at the weekend indicated a "deep crisis of confidence" in the parties which have dominated Germany's postwar political system, Mr Engholm said.

The poll saw the lowest turnout in Hesse since 1948, with a vote of 71.3 per cent, and a drain of support from the main political parties to the left and right. The extreme rightwing Republicans picked up 8.4 per cent of the vote, and the leftwing environmentalist Greens took 11 per cent.

Mr Kohl, however, dismissed the vote for the Republicans and two other neo-Nazi splinter groups as a temporary phenomenon. He blamed the protest voting on the "extremely difficult situation" in the German economy and on political divisions in the wake of unification.

The chancellor called for all political parties to speed up the decision-making process in Bonn, and urged the SPD to agree this week on a comprehensive solidarity pact to finance the cost of German unification.

Mr Kohl's CDU polled 32 per cent in the Hesse elections, down 2.3 percentage points on its result in the last local elections in 1989, and 8 points down on the Hesse state election result in 1991.

However, the biggest loser was the SPD, which is the majority party in the Hesse government, in coalition with the Greens. The party saw its support fall from 44.8 per cent to 36.4 per cent compared with 1989, with particularly bad results in big urban areas such as Frankfurt and Kassel.

The swing to the Republicans was smaller than many commentators had feared. The party won almost 11 per cent in last year's state election in neighbouring Baden-Württemberg, campaigning against immigration.

However, Mr Engholm warned at growing insecurity in the German population, with rising unemployment and threats of further public spending cuts. He said there was a clear shift to the right, with the Republicans picking up support among "the weakest levels in our society".

"It is not the first time we have seen this," he said. "There is a great danger of people who are suffering in our society turning to those who promise them the most."

He insisted that he remained determined to negotiate a solidarity pact for east Germany with Mr Kohl. The two sides will meet on Thursday and Friday.

Foreign worker curbs, Page 2

Compaq price cuts may lead to PC industry 'bloodbath'

By Alan Cane in London

COMPAQ COMPUTER yesterday cut the prices of its personal computers and printers in the US by up to 20 per cent, sparking fears of a price war which could leave smaller PC suppliers mortally wounded or out of business.

Compaq is now considering whether to make corresponding cuts in Europe. If it does, the effect on Europe's leading suppliers including Viglen of the UK, Vobis of Germany and IPC of France could be dramatic.

"This year is going to see one of the biggest bloodbaths in the history of the industry", Mr Ronald Skates, chief executive of US-based Data General, said yesterday. PC prices have been falling by about 40 per cent a year on average for the past two years. US analysts expect a further fall of about 25 per cent this year.

The prospect of a price war is good news for customers. US buyers now expect to be able to buy a PC with Intel's fastest chip, 4m bytes of fast memory and a 120m byte hard disc for less than $1,000. Only five years ago, a less advanced system would have cost in excess of $5,000.

The principal beneficiaries of this latest round of price-cutting are likely to be the aristocrats of the industry, Compaq and International Business Machines.

Both have introduced new ranges aimed specifically at the low end of the market where gross profit margins are thin to the point of invisibility.

According to one UK-based manufacturer, the average gross profit margin on a low-end computer is now between 15 per cent and 20 per cent, compared to 40 per cent in earlier years.

When Compaq launched its low-cost range in June last year, it provoked a spasm of price cutting among "clone" makers – companies that build PCs to IBM's standard design from off-the-shelf components – that left a number among them, Everex, Tandon and Zeos in financial difficulties.

Given the choice between a "no-name" clone computer and a similar specification from a well known manufacturer for only a few dollars more, buyers are opting for the branded product.

Mr Jeremy Davies of Context, a UK market research firm, said a new round of cuts looked grim for companies selling on price alone rather than technological excellence or richly specified products. "Now their main weapon is beginning to disappear", he said.

Dell of the US, the company which pioneered "direct" sales of quality but low-cost PCs through phone, fax and mail order selling), believes prices have fallen far enough.

It says prices are now at an acceptable level and that customers are more concerned about the overall value of the package, expecting more fully featured products for the same price.

Price wars have also spread to Japan where NEC has long been the dominant supplier with more than 50 per cent of the market enabling it to set and maintain high prices. The launch by Compaq of its inexpensive Prolinea range has forced a change of direction. Now NEC's cheapest machine costs about $1,600 compared with the $2,785 charged for its notebook PC last year.

IBM's search for a boss, Page 17

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Bosnian Serb soldiers wait for the changing of the guard near the Bosnian border, following a tank attack by Moslem forces

Serbs to face pressure on Bosnia plan

By David Gardner in Brussels

THE international peace plan for Bosnia-Hercegovina will be submitted to the United Nations Security Council for endorsement if Bosnia's Moslem President Alija Izetbegovic signs up to it – even if Mr Radovan Karadzic, the Bosnian Serb leader, holds out against the plan.

Such a move, discussed by EC foreign ministers in Brussels after a briefing from Lord Owen, co-chairman of the UN-mandated peace negotiations, could lead to pressure on the Serbs to implement the plan, according to EC ministers and officials.

It forms part of renewed efforts to bring greater pressure on Serbia and Bosnian Serbs to agree terms. "You can't apply serious pressure in a vacuum," Lord Owen said.

He judged that "the most likely next signature is of President Izetbegovic", adding: "I don't think Karadzic will sign without a lot of pressure."

Moslems, Serbs and Croats in Bosnia have all accepted constitutional principles and defence agreements in the plan, but only the Croats have agreed on a map setting up 10 semi-autonomous areas.

"If we're only held up by Dr Karadzic's signature on the map, it is perfectly justifiable to take that package to the UN security council," Lord Owen said. He got full backing from the 12 for this stance.

Lord Owen said he and his co-mediator, Mr Cyrus Vance, had ruled out any further changes in the map dividing Bosnia.

He believed he could persuade President Slobodan Milosevic of Serbia that "it is a fair settlement". Mr Karadzic had previously accepted the rest of the plan under pressure from Belgrade.

Lord Owen went out of his way to be conciliatory, as well as firm. "We don't want the Serbs to become pariahs," he said. "They are a proud and great nation who have the right to live in Europe" but had to conform to its rules.

Senior officials said that implicit in yesterday's discussions was the possibility of force being used to impose parts of the plan.

But the US, Britain and France yesterday rejected suggestions that UN member states should be prepared to use force to implement a peace plan, even if the Bosnian Serbs did not endorse the settlement.

In Washington, Mr George Stephanopoulos, the White House spokesman, said the US would consider using troops only to enforce a negotiated agreement to which all warring parties had subscribed.

Mr Douglas Hurd, the British foreign secretary, said a "good deal of planning had still to be done" on implementation, but "no government is talking of fighting your way to a settlement."

Turks attack Kurdish bases

By John Murray Brown in Ankara

THE Turkish military was yesterday engaged in large-scale air and ground attacks on bases of the Kurdish Workers' party (PKK) that have lasted at least four days. It is the first government offensive since the beginning of winter and a move clearly aimed at disrupting rebel attempts to exploit upcoming Kurdish New Year celebrations on March 21.

The latest military operation, in which government forces claim to have killed at least 50 PKK guerrillas near Mount Ararat on the Armenian border, coincides with this week's vote in parliament to extend the emergency administration for the 10 Kurdish-speaking provinces. Both the prime minister, Mr Suleyman Demirel, and the military have recommended that martial law, in place since July 1987, should remain for a further four months.

The prime minister seems keen to distance himself from recent hardline statements from the interior minister, Mr Ismet Sezgin, who warned that "if we wanted to, we could all bring them together and kill them and say they had committed suicide".

Nonetheless, with just two weeks to the New Year celebrations, there is growing anxiety to avoid last year's violence in which more than 90 civilians were killed when the government used tanks and armoured vehicles to reassert control in a string of towns along the border with Iraq and Syria. The PKK was accused then of trying to turn the celebrations into a separatist demonstration.

The prime minister has held meetings with Mr Ahmet Turk, chairman of the People's Labour party (HEP), the nearest thing to an explicitly pro-Kurdish political party.

A year on, the root causes of Kurdish discontent have still to be addressed. Repressive policing methods, lack of confidence in the legal process, together with the powerlessness of locals Kurds elected to parliament, have sharpened local disillusion with the government in Ankara.

After the bloodiest year in the eight-year insurgency, with more than 2,000 people killed in 1992, the winter months have provided both sides with a respite.

However, western diplomats believe the government has missed the opportunity to use the breathing space to push on with its earlier promise of reform.

Given Turkey's severe budget problems, it is hard to see how Mr Demirel can deliver on his latest promise of a big investment programme for the region. In November, parliament passed welcome changes to the criminal justice act. However, key provisions, were not extended to the south-east.

Premier issues rallying call to Italian youth

By Haig Simonian in Milan

MR Giuliano Amato, Italy's prime minister, yesterday called on the country's younger generation, made cynical by growing revelations of political corruption, to go into public service.

Complaining of traditional weaknesses in Italy's public administration, which were reflected in its position in international bodies, he called on the young to take up a civil service career for moral, rather than just economic, grounds.

"We are always under-represented compared with our financial contribution in leading international organisations such as the European Commission and the World Bank," he said. "Before creating a European ruling class, we need to create a national ruling class."

His remarks, in a lecture at Milan's prestigious Bocconi University on the political responsibility of the class running the economy, came a day after President Oscar Luigi Scalfaro refused to sign a government decree Mr Amato had submitted to minimise the legal consequences for those accused of illegal political funding.

Mr Amato's visit to Milan was his first to the city, which has spearheaded the country's growing investigations into political corruption, since he become prime minister last June.

Seated in the front row was Mr Francesco Saverio Borrelli, Milan's chief public prosecutor who has headed the corruption investigations in the city. A statement opposing Mr Amato's decree on political funding, given in the name of Milan magistrates and read by Mr Borrelli to television cameras on Sunday, undoubtedly contributed to President Scalfaro's decision not to sign the decree.

The audience included representatives from the top echelon of Italian business and finance, including a number of businessmen whose companies or families have become enmeshed in the corruption investigation.

Among those present were Mr Giovanni Agnelli and Mr Cesare Romiti, chairman and chief executive of Fiat, and Mr Marco Tronchetti Provera, managing director of Pirelli, one of whose brothers was recently arrested by the Milan magistrates.

Mr Amato, who was alternatively heckled and cheered by students in the packed lecture hall, notably avoided any mention of the current investigations.

Amato misreads public mood of hostility

The prime minister has made his first error in handling the corruption scandal, writes Robert Graham

THE subtle touch has for once deserted Mr Giuliano Amato, the Italian prime minister, and his credibility has been badly damaged by his handling of the corruption scandal.

In pressing for a political solution to the complex problems presented by Italy's growing list of political and commercial corruption cases, he misread public opinion, underestimated the opposition of the judiciary, and miscalculated the hostility of parliament.

As a result President Oscar Luigi Scalfaro has refused to sign the most sensitive item of legislation – a decree depenalising the illicit funding of political parties. The president's action has defused a growing wave of protest over what was seen as an unacceptable *attempt to provide an easy* way out for businessmen and politicians involved in bribery and the illicit funding of political parties. But it has left the 54-year-old Socialist prime minister looking extremely vulnerable and at odds with a key institutional figure who until now has been his staunchest ally.

Mr Amato has also lost a useful cabinet ally, Mr Carlo Ripa de Meana, the environment minister. Mr Ripa de Meana, who last month resigned from the Socialist party because of its involvement in corruption, confirmed yesterday he had tendered his resignation over Mr Amato's handling of the anti-corruption legislation.

How then did Mr Amato and his four-party coalition end up in this mess? When the government announced its intention 10 days ago to find a "political" solution to the problems being created by the corruption scandals there was little protest and much support. The arguments were strong for such an approach.

After a year more than a 1,000 senior politicians, businessmen and officials are now under investigation for corruption, and this is considered the tip of the iceberg. The practice of businessmen paying bribes to parties to secure contracts and privileged market positions is now known to have been the norm in almost every aspect of life, but most notably in public works contracts.

More than 1,000 senior politicians, businessmen and officials are now under investigation for corruption, and this is seen as the tip of the iceberg

With a slow legal process that requires six to 10 years for cases to proceed through the courts, the scandals will clog up the entire judicial system – and leave the fate of hundreds, if not thousands, of Italy's elite uncertain during a key moment of transition. The investigations themselves threaten to decapitate the political and business establishment. Another side-effect of the contracts probes is the paralysing of public works.

Against this background, the cabinet last Friday proposed new rules on public tendering, aids to restart public works halted by corruption investigations, and a comprehensive decree governing the financing of political parties. The latter reflected the text just approved in a Senate commission. This depenalised illicit funding and removed control of party financing from the judiciary to the government-appointed prefects.

It was a serious miscalculation to cut out the judiciary, appearing to offer an easy exit to corrupt politicians by subjecting them to administrative sanctions. But it was compounded by framing the legislation in a decree (which has immediate effect but has to be approved by parliament within 60 days).

President Scalfaro on Sunday found a judicious way out by refusing to sign the decree on the grounds that it conflicted with one of the 10 referendums due to be held on April 18, that concerning abolition of public funding of political parties. The government now must either hand the task over entirely to parliament or frame new laws which accommodate the sensitivities of both the public and the judiciary.

In the meantime, the referendum on abolition of public financing of political parties has acquired an infinitely higher profile, and could well confuse the even more important referendum concerning the reform of the electoral system. Parliament itself has to find a new head of the constitutional reform commission to replace Mr Ciriaco de Mita, who resigned last week because of the involvement of his brother in a corruption scandal.

All these issues weighing down on a weakened government make it ever more important for electoral reform to be agreed, since early elections appear the sole alternative for everyone concerned.

A Muscovite protests against the high cost of food by banging a pot on her head in front of the giant Lenin statue in October Square. The protest, called by various Communist organisations, marked International Women's Day

Ilva state aids verdict put off

By Andrew Hill in Brussels

THE European Commission has postponed indefinitely a decision on whether to outlaw state aid to Ilva, Italy's loss-making steel company.

Mr Karel Van Miert, the EC competition commissioner, wanted Rome to recover L350bn (£160m) paid to Ilva in 1991 in the form of a capital increase, and freeze a planned second tranche of L300bn.

But senior Brussels aides agreed yesterday that the proposal should not be discussed at today's full European Commission meeting in Strasbourg.

Mr Van Miert has withdrawn the proposal because the Italian authorities have promised to submit a new restructuring plan for Ilva by the end of April. But he was also under pressure from his colleagues to consider controversial Italian and Spanish state aid plans as part of the EC's overall proposals to support the west European steel industry.

Mr Giuseppe Guarino, the Italian industry minister, threatened 10 days ago to block the overall EC plan if the L650bn recapitalisation was not approved by Brussels, and Madrid has also warned that it will protect its domestic industry if necessary.

Mr Van Miert yesterday met Mr Claudio Aranzadi, the Spanish industry minister, to discuss Madrid's proposals to subsidise the Spanish industry in exchange for capacity cuts. The Commission has already indicated that aid will have to be reduced or more capacity cut. Mr Aranzadi is now said to be suggesting that the cost of building a new steel mill in the volatile Basque region of Spain could be borne by private investors. Mr Van Miert's spokesman refused to comment yesterday on the outcome of the discussions, but confirmed there would have to be other meetings between the two men.

EC ministers backed an outline Commission plan to give commercial and financial support to the west European steel industry in exchange for restructuring at a meeting two weeks ago.

Fortysomethings of France's left-wing elite fight for political life after the election

Poll pressure grows on French Socialists

By David Buchan in Paris

A GROUP of younger leaders in France's governing Socialist party will tomorrow call for their party to put itself at the centre of a new social democratic coalition.

The move by the so-called "quadras" (for quadragenarians or 40-year-olds) is clearly prompted by last month's call by Mr Michel Rocard, the Socialist standard-bearer in the next presidential poll, for a "big bang" to recompose centre-left forces in France. But the "quadras" are also closely linked to Mr Jacques Delors, the European Commission president, who has long been urging his Socialist party to modernise itself.

Another sign that the Socialists, who are facing near-certain defeat in the election's two rounds of voting on March 21 and 28, are opening up under pressure came yesterday from Mr Dominique Strauss-Kahn.

The industry minister, who is hard pressed in his campaign to keep his industrial constituency seat outside Paris, said that Socialist candidates who do worse than their ecologist competitors in the first round of voting should urge their supporters to vote "green" in the second round.

"In their vast majority, ecologists are basically progressive," Mr Strauss-Kahn said, "and it is necessary to block the return of the right."

The industry minister does not himself face a very strong green challenge, but others, including Mr Rocard, do.

In earlier stages of the campaign, the the country's environmentalist parties were outpolling the Socialists, and they remain the prime target of Socialist wooing.

By contrast, the RPR Gaullists and the centre-right UDF party have a formal electoral pact, under which they are fielding a single candidate in all but around 80 of the 577 constituencies. But there is already tension over cabinet jobs in a future government.

Greek bank reform move

GREECE'S central bank yesterday lifted the last remaining restriction on interest rates by abolishing its 18 per cent minimum rate for deposit accounts, writes Kerin Hope in Athens.

The move would contribute to a gradual decline in interest rates, both on government paper and for commercial borrowing. Banks are expected to trim operating costs by sharply reducing interest rates for small account-holders, who will be encouraged to shift their savings to the post office and other institutions. The central bank is under government pressure to speed deregulation to compete effectively in the single market. However, real interest rates are expected to remain high.

Bonn curbs on foreign workers

By Ariane Genillard in Bonn

GERMANY'S Federal Labour Office yesterday called on local authorities to apply existing rules more strictly when granting work permits to foreigners to ensure jobs are not taken away from German nationals and residents in the country.

A decree sent to state labour offices said the authorities must prove to their satisfaction that no German nationals or residents are available to fill the jobs before granting work permits to foreigners.

The decision came as unemployment figures for February showed that 3.5m people were now out of work in the country, bringing the unemployment rate to 7.5 per cent in the west and 14.5 per cent in the east. At the same time, however, the number of visas given to non-EC nationals climbed by 50 per cent in 1992 to a total of 1.35m.

"Such a development is no longer acceptable in light of the steady worsening of the labour market," Mr Norbert Blüm, the federal labour minister, said.

The decree said work permits should not be extended for more than a year, to allow for an annual re-examination of domestic labour market conditions. While the majority of working permits expire after a year, some are issued for up to three years.

In addition, local labour offices must contact job applicants in regions with higher unemployment rates before permits for seasonal work are granted to foreigners.

The rising number of asylum applicants has contributed to the sharp increase in permits granted to foreigners, federal officials admitted. For the past two years, asylum seekers have been allowed to seek work while waiting for their case to be processed.

Other work permits have been given to foreign workers hired by enterprises operating in Germany. Many of these come from eastern Europe.

Poles find trade figures add up to a debt puzzle

By Christopher Bobinski in Warsaw

A CONTROVERSY over the real state of Poland's trade has underlined the problems of making economic decisions on the basis of doubtful and often contradictory statistics.

Questions were raised last week when the Foreign Trade Ministry issued figures, based on customs data, which pointed to a \$2.5bn deficit last year. These contradicted earlier figures, collated by the National Bank and seized on by the government as proof of Poland's strong economic performance, which showed a surplus of \$512m.

The Trade Ministry's figures, published by the Central Statistical Office, valued exports at \$12.9bn, or \$1.1bn less than the central bank. Imports at \$15.5bn were \$2bn lower than the National Bank stated.

The two sets of figures are always slightly different, as the central bank charts actual trade payments worth over \$10,000 made through 38 banks, while the statistical office reports on physical movement of goods across frontiers, paid in cash or on credit.

But the discrepancy this time is so large as to raise doubts about Poland's capacity to run a trade surplus large enough to meet its foreign debt service obligations, which rise sharply from 1994.

This week Mr Andrzej Topinski, a former deputy head of the central bank, sought to limit the damage by arguing that the Trade Ministry's figures reflected problems with managing a new customs form rather than actual trade.

To complicate matters further, statistics from the OECD countries, which now account for nearly two thirds of Poland's foreign trade, show a \$1bn deficit in the first eight months of last year, while European Community figures for the first nine months show a \$600m Polish deficit with the EC.

Both the central bank and the statistical office agree that the deficit deepened in the last months of the year. The central bank figures, for example, showed a \$507m deficit in the last quarter alone, as businessmen rushed to avoid a 6 per cent import surcharge introduced in mid-December.

Some of these deliveries were probably arranged on short-term credit, which should further depress the payments figures for the first quarter of this year.

The introduction of a new customs form in January 1992 has created havoc among statisticians and traders alike, so that preliminary figures for the whole year have only now become available.

But, in contrast to previously collated trade figures, which were based on returns made by state sector traders and merely estimated private sector trade, the new forms have thrown fresh light on the private sector, and especially the former "grey" area of semi-clandestine trading.

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NEWS: THE AMERICAS

US investigators seek answers in Rome to 'Iraqgate' affair

Fed reopens inquiry into BNL loans

By Alan Friedman in New York

THE US Federal Reserve has reopened a formal investigation into the scandal over $5bn (£3.5bn) of illegal Iraqi loans made by the Atlanta, Georgia, branch of Italy's Banca Nazionale del Lavoro (BNL), according to US officials involved in the case and to a senior executive of BNL.

The US central bank, concerned about repeated allegations that Rome officials were involved in the Atlanta loans that helped build President Saddam Hussein's war machine, issued a formal subpoena to BNL in December. That subpoena demanded a series of documents relevant to the bank's dealings with Iraq.

A team of investigators from the Fed has been in the Italian capital during the past few weeks, questioning BNL officials.

The new investigation was described by one US government official as an attempt "to finally get to the bottom of the story and find out the degree to which Rome may have been involved in the Iraqi loans".

The Fed's renewed interest in the BNL case was spurred in part by revelations last autumn that the US Central Intelligence Agency (CIA) had withheld confidential reports that alleged involvement by BNL in Rome in the Atlanta loans to Iraq.

The bank has denied any involvement in the Atlanta loans.

Disclosure of the CIA reports came during a court hearing in Atlanta in which the US Justice Department during the Bush administration argued that the $5bn of Iraqi loans had been organised by Mr Christopher Drogoul, the former BNL Atlanta manager.

Mr Drogoul argued instead that executives in Rome knew about and approved the clandestine loans. His trial has been postponed until next autumn.

The reopened Federal Reserve investigation was also triggered by the fact that last December BNL sacked a small number of mid-level executives who worked on the Iraqi loans matter in Rome.

Mr Gianmaria Sartoretti, one of the BNL executives to have lost his job, is said by US officials to be considering filing unfair dismissal charges against the bank. It is understood that he believes he is being made a scapegoat by BNL for the Atlanta affair.

The Fed investigation and Mr Sartoretti's endeavours could lead to fresh revelations in the affair, which has been dubbed "Iraqgate" by the US media.

In Rome, a new Italian Senate commission investigating the BNL loans scandal is expected to begin its deliberations today.

Mr Giampiero Cantoni, chairman of BNL, may be among those to testify in the next few days.

Mr Davide Croff, a senior BNL executive, last night confirmed that the Fed had reopened its investigation and said that the bank had received the subpoena and was co-operating with officials from the US.

The sackings, said Mr Croff, were based on a series of what he described as "administrative irregularities" related to the Atlanta loans. However, he said the bank was not accusing the dismissed bankers of involvement in the Iraqi loans.

Architect of austerity ahead in Bolivian poll

But Sánchez will not be counting on victory, writes Chris Philipsborn

PRESIDENTIAL campaigning is hotting up ahead of a June election in Bolivia, as the four-year term of President Jaime Paz Zamora draws to its close. Surprisingly, since popular support for economic reform is supposed to be eroding, opinion polls show one of the main architects of economic austerity in the 1980s significantly ahead of his four main rivals.

Mr Gonzalo Sánchez de Lozada, the candidate of the National Revolutionary Movement (MNR), was a key minister in the government of President Víctor Paz Estenssoro which in 1985 embarked on one of Latin America's first and most radical economic stabilisation programmes.

This brought inflation down from 23,000 per cent in 1985 to 11 per cent last year, one of the lowest rates in Latin America. It also helped to restore economic growth, to 2-4 per cent a year between 1987 and 1992.

This expansion has not, however, lessened extreme poverty – a United Nations report says Bolivia has the highest proportion of rural poor in the world – while income distribution appears to have become even more unequal during the 1980s.

Exports are falling and the trade deficit widening. Foreign debt, which dropped by $1.1bn between 1987 and 1991, is again rising, by more than $300m in 1992 to $3.7bn (£2.6bn).

Mr Paz Zamora's ruling coalition, an unlikely alliance between two parties of the political left and right, is widely criticised for failing to capitalise on the legacy of the previous administration's economic changes. According to successive US State Department reports, the government has been plagued by widespread corruption and weakness in policy implementation.

The present government has botched its infant privatisation programme and been forced to suspend joint venture deals designed to attract foreign investment to state mining corporation Comibol.

Mr Sánchez says: "The biggest sin of this government has been lost time. In 1989, the majority of Bolivians supported a market economy. Today, most are against it."

While this might be expected to hinder him, the MNR leader appears to have improved his chances with the appointment of a well-respected indigenous leader, Mr Victor Hugo Cardenas, as vice-president.

This is in part a response to the growing challenge of newly-formed populist opposition parties, led by ambitious individuals excluded from the ruling class because of their origins or skin colour. Local elections and opinion polls show they have struck a chord with the electorate.

Two candidates, Mr Antonio Aranibar, leader of the opposition centre-left MBL party, and Mr Carlos Palenque of the more populist Condepa, say they seek to include indigenous voices in national politics.

Another populist is Mr Max Fernandez of the UCS party, a beer magnate. His campaign has already brought insinuations about the source of finance for his extensive campaign and links, strongly denied, to the drugs trade.

But Mr Sánchez's chief rival could be General Hugo Bánzer Suárez of the National Democratic Action (ADN), military dictator from 1971 to 1978. He has alarmed the business community by choosing a former Communist party leader as a running mate.

Even though, according to most opinion polls, he seems to be ahead, Mr Sánchez is unlikely to be counting on victory. Opinion polls in this predominantly rural country are unreliable and Bolivia's singular electoral system usually means the choice of president is made in August by the lower house of Congress.

This has advantages in that Bolivia's presidents generally are able to govern with a majority in the lower house. But it also means that the most popular candidate in the election often does not end up as president, unless he wins more than half of the votes. Mr Sánchez knows this to his cost: he polled most votes in the 1989 election but lost because Gen Bánzer threw his party's weight behind Mr Paz Zamora.

President Jaime Paz Zamora: criticised for not capitalising on legacy of economic reform

Hearings on attorney general nominee Reno begin today

By Jurek Martin in Washington

THE SENATE judiciary committee today begins hearings on the nomination of Ms Janet Reno, a state prosecutor from Miami, to be the next attorney general of the US.

Ms Reno, 54, was chosen by President Bill Clinton after Ms Zoe Baird withdrew her nomination following revelations she had hired illegal immigrants as household help. Later, Judge Kimba Wood also took herself out of consideration for related "nannygate" reasons.

No serious opposition to Ms Reno has yet surfaced, although some right-wing lobbies, including the National Rifle Association, have circulated rumours, denied by the White House and several prominent senators, that she had been stopped by the police on suspicion of driving under the influence of alcohol. The NRA is exercised because she is known to be a staunch advocate of tougher gun controls.

Another conservative group, the Free Congress Foundation, yesterday issued an indictment of Ms Reno's qualifications, pointing to her lack of federal law enforcement experience and objecting to her record as a social activist who commands the support of leading US feminist organisations.

Ms Reno can also expect to be questioned on her position on the death penalty. She said when nominated that she was personally opposed to capital punishment but had sought it as a state prosecutor in certain cases according to the dictates of Florida law.

Assuming her confirmation as the first ever woman attorney general, the stage will then finally be set for the appointments of a new upper echelon to the justice department, still under the acting management of Mr Stuart Gerson, a Bush administration official.

Of particular importance will be the nominations of a deputy to Ms Reno and of a solicitor general, who argues government cases before the Supreme Court.

Theoretical economist appointed to Clinton council of advisers

By Michael Prowse in Washington

MR JOSEPH STIGLITZ, one of the most respected theoretical economists in the US, is to become the third member of President Bill Clinton's Council of Economic Advisers.

A professor at Stanford University, Mr Stiglitz, who is 50, has held chairs at Yale, Oxford and Princeton universities and is an acknowledged master of the highly abstract mathematical theories that have dominated academic economics since the second world war.

On the council he is expected to concentrate on microeconomic issues, such as the regulation of industry and financial markets. His experience will neatly complement that of his colleagues. Ms Laura Tyson, the chairwoman, has specialised in trade policy and the economics of high-tech industries. Mr Alan Blinder, from Princeton University, is a noted macroeconomist, who will concentrate on topics such as monetary policy and economic forecasting.

Mr Stiglitz's appointment is a hat trick for the Massachusetts Institute of Technology. All three panel members earned doctorates in its economics department, headed for many years by two of America's leading Keynesian economists, Nobel laureates Paul Samuelson and Robert Solow. The hallmark of much MIT research is a sophisticated scepticism about the efficiency of free markets; much of Mr Stiglitz's work, for example, has focused on markets' imperfections and limitations.

While leaning to the political left, Mr Clinton's panel has an impressive a range of expertise and skills. Ms Tyson, while not of Mr Stiglitz's calibre as a theoretical economist, is proving an adroit advocate of Mr Clinton's policies on Capitol Hill and on TV talk shows.

The council, however, will have to compete for influence with the new National Economic Council, headed by Mr Robert Rubin, a former co-chairman of investment bank Goldman Sachs.

Kim steps up fight against corruption

By John Burton in Seoul

MR KIM YOUNG-SAM, the South Korean president, yesterday replaced three of his newly-appointed ministers for alleged corrupt practices, while he reshuffled the top military echelon as part of his political reform programme.

The appointments were the latest in a series of actions Mr Kim, a former opposition leader, has taken in his first 10 days in office to fight corruption and remove the last vestiges of the country's authoritarian past.

Mr Kim, who had promised to install a clean government, ousted three of his ministers and the new mayor of Seoul, a presidential appointee, for alleged unethical activities, such as illegal land transactions, after they were exposed by the media.

The cabinet members who were appointed yesterday included Mr Kim Doo-hee, the prosecutor general, as justice minister, Ms Song Jeong-sook, a newspaper editorial writer, as minister of health and social affairs, and Mr Koh Byung-woo, chairman of the Korea Stock Exchange, as construction minister.

A presidential spokesman claimed that conservative opponents of Mr Kim had leaked details of the alleged wrongdoing by the ousted cabinet ministers in an attempt to embarrass the new administration and stop the president's reform programme.

Mr Kim has angered officials linked to the former military dictatorship and the previous administration of President Roh Tae-woo by appointing political reformers to the cabinet and senior positions within the ruling Democratic Liberal party (DLP), while purging hardliners from the military and the national security agency.

Yesterday's shake-up of the military included the replacement of Gen Kim Jin-young as the army chief of staff and Lt Gen Suh Wan-soo as the head of the defence security command, the top military intelligence agency.

The two army generals were said to be closely affiliated

South Korea's new president has moved quickly to remove the last vestiges of the country's authoritarian past

with Mr Chun Doo-hwan, who staged a military coup in 1979 and ruled as president until 1987.

The new president last week ordered the dismissal of 300 officials from the national security planning agency in a bid to curb the power of the agency, which played a prominent role in suppressing domestic dissent during the military dictatorship.

Mr Kim has surprised Koreans by the aggressiveness he has shown in imposing his authority on the government and appointing his own followers to key positions despite his weak position within the DLP, which he only joined in 1990 after three decades in opposition.

The new president has won wide public support for his reform programme, enjoying an approval rating of 70 per cent.

His popularity has been boosted by such symbolic acts as removing security barriers around the presidential Blue House and National Assembly.

Afghans wrangle as peace is signed

Farhan Bokhari reports on the prospects for a lasting accord as faction leaders fly to Mecca to offer prayers

AFGHANISTAN'S rival mujahideen leaders flew to Saudi Arabia yesterday to offer prayers at Mecca after signing a peace accord in Pakistan over the weekend.

But western diplomats said the agreement provides no guarantees that Afghanistan can finally overcome the bloody rivalries which have plagued it during 14 years of civil war.

Mr Gulbuddin Hekmatyar, the guerrilla leader whose troops have killed at least 1,000 people and injured another 6,000 in rocket attacks on Kabul this year, was appointed prime minister.

Western diplomats were concerned about the precedent set for other guerrilla leaders by the appointment of Mr Hekmatyar.

"If you fight and kill, you win, is the basic message here. I fear the day when others will try to follow that," said one.

President Burhanuddin Rabbani remains head of state until the middle of 1994 under the agreement.

But the two men were wrangling until the last minute over the assignment of ministerial positions. Mr Hekmatyar insisted on the exclusion of the defence minister, Mr Ahmad Shah Masood, from the cabinet on the grounds that both the president and the defence minister should not come from the same party, because this would tilt the balance in favour of one group.

Mr Rabbani forcefully resisted.

Under the accord, the cabinet is to be decided within two weeks in consultations between the president and prime minister, and all parties will be represented on a defence council. But Mr Hekmatyar said within minutes of the signing: "It is my prerogative as prime minister to choose the defence minister."

The two-week delay was an attempt to buy time in the hope of an agreement being reached later, one senior official said. "It was also a face-saving solution for Pakistan which would have been embarrassed if the talks had collapsed."

The accord includes a provision to set up a military commission to take over heavy arms from different groups and create a national army. The Afghan leaders agreed to seek help from the Saudi Arabia-based Organisation of Islamic Conference in monitoring the ceasefire.

General Rashid Dostum, the powerful Uzbek whose troops control large parts of northern Afghanistan, is excluded from the agreement, providing another reason for concern. "He will only become more of a threat to Kabul if he is joined by Masood in the event that Hekmatyar succeeds in removing him," said one senior diplomat.

Residents of Kabul yesterday welcomed the truce, although three people were killed and 25 injured as government troops exchanged rocket and artillery fire with the minority Hezb-i-Wahdat party, which had ratified the agreement.

There are no plans yet to resume United Nations aid operations after the withdrawal of UN international staff in January when three workers and an international consultant were killed by gunmen near the eastern city of Jalalabad.

A UN appeal for $138m (£97m) in humanitarian assistance, launched early this year, has so far only received commitments of $5m-$6m. Mr Sotorios Mousouris, the UN secretary-general's personal representative on Afghanistan, said in an interview yesterday: "We have not received encouraging pledges from too many governments yet. That is something that has worried me for some time now."

Mr Nawaz Sharif, Pakistan's prime minister, described the weekend agreement as an important breakthrough and said:

"We pray that, as a result of this agreement, there will now be harmony, peace and understanding." But Pakistani officials said it was now up to the Afghans to honour the agreement. One said: "You can take a horse to the water tank but can you make it drink?"

NTT shares soar on hopes of increase in call rates

By Michiyo Nakamoto in Tokyo

NIPPON Telegraph and Telephone (NTT) saw its share price surge by more than 10 per cent yesterday on comments made by a Posts and Telecommunications official suggesting that the telecommunications group may be allowed to increase rates charged for calls from public telephones.

Mr Futoshi Shirai, director general of the telecommunications bureau of the Ministry of Posts and Telecommunications, said yesterday that it would be easier for the ministry to accept an increase in public call-box charges as these could be considered separately from other telephone rates.

The comments added to a recent surge of interest in NTT shares which has lifted the issue's price by 28.5 per cent in the past eight trading days. The issue has been actively pursued after NTT announced plans to propose call charge increases to the Posts and Telecommunications Ministry. Yesterday NTT closed Y75,000 higher at Y780,000 (£4,600).

The Bank of Japan quarterly survey of business confidence did not slow a surge in the Tokyo stock market which rose by about 5 per cent to leave the Nikkei average at 17,686 at the close, Charles Leadbeater writes.

The arrest of Mr Shin Kanemaru, formerly the ruling Liberal Democratic party's chief power broker, on charges of tax evasion, also lifted the market, which had been depressed for the past week partly because of rumours of another political scandal.

Mr Shirai indicated that the ministry would consider favourably NTT's planned application for the increase in call-box rates for two specific reasons. First, unlike the situation in most other countries, public call-box rates in Japan are the same as those charged for calls made from the home.

Secondly, NTT has been covering the loss it makes on public telephone calls with sales of telephone cards but this is expected to fall in the future as the market for telephone cards becomes saturated.

The increase is likely to take the form of a shorter call time for each Y10 coin used.

Although the extent of the favourable impact of a likely rise in public calls cannot be calculated yet, any increase would have a substantial positive effect on NTT's financial situation which is expected to deteriorate with more competition from new carriers.

Kanemaru still held over taxes

By Charles Leadbeater

MR SHIN KANEMARU, until last autumn the most powerful man in Japanese politics, is to be detained in the Tokyo detention centre for 10 days for questioning over alleged tax evasion involving Y1.2bn (£7m) bank bonds.

The ruling Liberal Democratic party's leadership was yesterday struggling to distance itself from the affair which threatens to embroil the government in another damaging scandal.

Mr Kiichi Miyazawa, the prime minister, and senior LDP officials have argued that the tax evasion charges are a personal rather than a political issue. The arrest has nevertheless led them to promise to pursue plans for the reform of political funding and the electoral system.

Opposition parties plan to exploit the affair to embarrass the government, which is only just recovering from the debilitating Tokyo Sagawa Kyubin scandal.

They will allege that Mr Kanemaru's tax evasion was closely linked to his political activities, in particular the financial backing he helped to organise for Mr Noboru Takeshita, former prime minister.

Mr Kanemaru, who resigned from the Japanese parliament last October after admitting receiving a Y500m illegal donation from Tokyo Sagawa Kyubin, and Mr Masahisa Haibara, his private secretary, are thought to hold about Y2.8bn of discount bonds issued by the Nippon Credit Bank.

The tax authorities believe Mr Kanemaru and Mr Haibara bought some of the bonds between 1987 and 1989 using about Y1.2bn of undeclared income.

Traders in China bid for lion's share of profit

By Tony Walker in Beijing

IT'S A bit like selling the family silver, but Mr Dai of Beijing's Friendship Store is quite unrepentant about the decision to sell off the huge pair of bronze lions that adorn the entrance to this landmark on the city's main boulevard.

"Everything in our store, whether decorations or retail items, is for sale," he said. "We regard these lions as goods for sale."

These once-proud creatures, who have observed impassively millions of tourists and local Chinese passing through the store's portals, now carry a price tag – the tag dangles from a rusty chain around the neck of one – of Yn800,000 ($139,000) for the pair.

Mr Dai, deputy manager of the store, says negotiations are under way with a wealthy overseas Chinese for the sale of the lions whose display would attest to the worldly success of their owner.

Weighing eight tons, the lions are a copy of originals that guarded the entrance to Beijing's Summer Palace, and are thus known as the "Number Two Pair Under Heaven".

The lion's sale is merely one of many changes that have overtaken the Friendship Store – the *youyi shangdian* – as it struggles to compete with dazzling new emporiums sprouting all over Beijing in China's new age of affluence. Recently, the management tore down the iron railing near the store's entrance which had stood for many years as a barrier to locals who came to gawk at the trickle of foreign tourists in the bleak 1970s.

A store manager was quoted as saying of the railing's removal: "It's a market economy now; we don't want to look like a big feudal government office."

Competition obliged the store last September to allow locals to shop there in local currency. Previously it was the preserve of foreigners or privileged Chinese who had access either to foreign money or to special foreign exchange certificates.

Four die in third Natal massacre

By Patti Waldmeir in Johannesburg

GUNMEN in South Africa's Natal province yesterday killed four supporters of the African National Congress. It was the third massacre in less than a week in an area where the ANC and rival Inkatha Freedom party are fighting for political power ahead of multi-racial elections.

Fears of political violence in the run-up to elections, expected to take place some time next year, were highlighted yesterday when Mr Justice Richard Goldstone, chairman of a government commission into public violence, said the commission would investigate ways of curbing pre-election unrest.

He said a panel of local experts, helped by international expertise, would investigate issues such as the policing of polling stations, with some politicians concerned that the South African police could not monitor polling in an unbiased fashion. The role of international observers would also be investigated.

Violence has worsened in recent days as popular expectations have focused on negotiations held last weekend to plan for elections. A local ANC official claimed that yesterday's attack, which targeted a group of ANC supporters travelling to a court hearing, was part of "a planned strategy to destroy the ANC in the [Natal] midlands in the run-up to elections".

The attack follows the killing last week of six school children in Natal, and the massacre of 10 more people last Friday. The murders have sparked fears of a cycle of revenge attacks in the area, and have heightened criticism of politicians for failing to make more rapid progress toward a constitutional settlement.

It has also raised serious concern over whether a free and fair election can be held in the key Natal province, the regional base of Chief Mangosuthu Buthelezi of Inkatha, where territory is bitterly disputed with the ANC.

Yesterday Mr Hernus Kriel, law and order minister, condemned the attack and blamed local politicians for failing to control their supporters. "Talk is not enough. Politicians must now take practical and visible steps... peace will not come by itself."

Forced labour still widespread

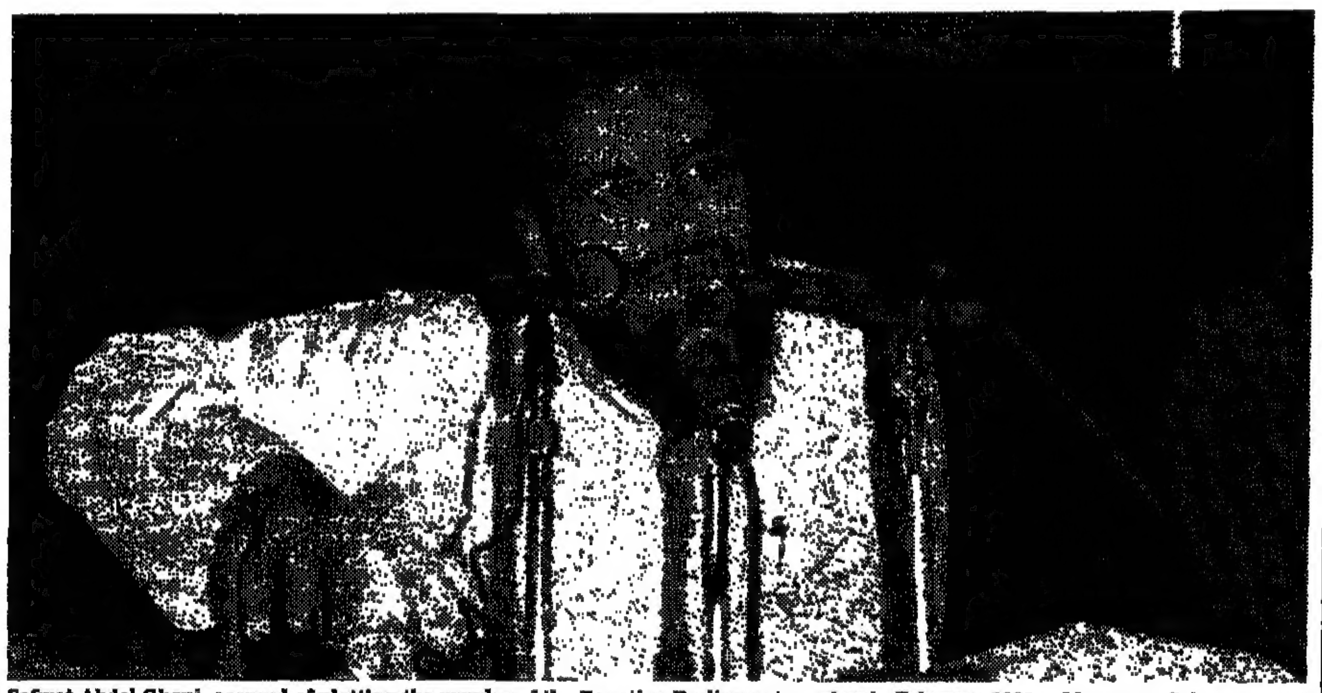
By Frances Williams in Geneva

MILLIONS of workers in third world countries are subject to forced labour and governments are not doing enough to stamp it out and punish offenders, the International Labour Organisation said yesterday.

The ILO's annual World Labour Report highlights cases of traditional slavery in Africa, debt bondage in Asia, forms of "white slavery" in Latin America and sale of children to sweatshops and brothels.

Traditional slavery persists in Mauritania and in Sudan, where it appears to be on the increase because of the nine-year civil war, the report says. Unofficial militia groups in Sudan, allegedly aided by the government, have raided villages of the Dinka tribe, looting property and taking slaves. Sudanese peasants are also selling their children, mostly boys aged 7-12 who fetch about $70 (£49), the ILO says.

The report says 20m workers, including 7.5m children, may be bonded labourers in Pakistan, in the brick-kiln industry, fish-cleaning, shoe-making, agriculture and quarrying.



Safwat Abdel-Ghani, accused of plotting the murder of the Egyptian Parliament speaker in February 1991, addresses a Cairo courtroom, where he was allowed to explain the Moslem extremist view of Islam as a holy war to save the religion, at the weekend

Cairo militants deny NY bomb link

By Mark Nicholson in Cairo

ISLAMIC militants in Egypt yesterday distanced themselves and the man they consider their spiritual leader – Sheikh Omar Abdul-Rahman, a New Jersey-based preacher – from the bombing of the World Trade Centre in New York, saying attempts to link them were a slur against the sheikh and Islam.

In a statement to news organisations in Cairo the Gama'a al-Islamiyya, or Islamic Groups, said it did "not target the innocent" and that Sheikh Abdul-Rahman had "no connection" with the February 26 attack.

The message added the warning that "any defamation touching on Sheikh Omar Abdul-Rahman will not pass peacefully".

Mr Mohammed Salameh, the 26-year-old Jordanian national accused of being an accomplice in the bombing, was said to have prayed at a New Jersey mosque at which Sheikh Abdul-Rahman preached. But yesterday in New York Mr Salameh's lawyer also repudiated links between his client and the Egyptian cleric.

The underground Gama'a al-Islamiyya has led recent attacks against foreign visitors to Egypt, though the group claims to be attacking "tourism not tourists".

Three visitors and one Egyptian have been killed in the attacks.

The same group has warned foreigners to leave Egypt and warned that it might attack foreign investments in the country.

A Cairo military court will today open the trial of 49 alleged members of the Gama'a al-Islamiyya accused of leading the attacks.

Maj Gen Mohammed Abdallah, military prosecutor general, said charges would include intention to kill, possession of arms and explosives and economic sabotage.

Six of the named defendants, who are among hundreds and perhaps thousands rounded up by Egypt's security forces since the attacks began last year, are being charged in absentia. Those found guilty face the death penalty.

Separately, Mr Amr Moussa, Egypt's foreign minister, said that Sheikh Abdul-Rahman would face charges for incitement to violence and terrorism should he be deported to Egypt from the US. Deportation proceedings against the sheikh by New Jersey immigration authorities have been deferred.

Angola awaits word from Savimbi

ANGOLA awaits fresh peace proposals from Mr Jonas Savimbi, the rebel Unita leader, following his movement's capture of Huambo, the country's second largest city, Reuter reports from Luanda.

Unita radio said yesterday that Mr Savimbi would broadcast to the nation today to outline his ideas on future peace negotiations with the government and the supply of humanitarian aid for victims of the conflict.

The government conceded on Sunday night that it had lost Huambo, in the central highlands.

It is a key city for Unita and capital of the Ovimbunde tribe which provides the backbone of its support.

Palestinian killed after Israeli dies

A Palestinian was shot dead in the occupied Gaza Strip yesterday hours after a Jewish settler was stabbed to death, a hospital official said, Reuter reports from Erez Checkpoint, Gaza Strip.

Palestinian witnesses said settlers returning from the funeral of slain settler Uri Magidish shot dead the 20-year-old Palestinian who was at a gas station inside the strip near the Erez checkpoint.

The army confirmed that a Palestinian had been shot near the checkpoint, which separates the Gaza Strip from Israel, and that he had been evacuated to hospital.

Somali clashes leave 23 dead

As many as 23 people have been killed and 26 injured in fierce clan clashes in the southern Somali port of Kismayu, the international charity Médecins sans Frontières said yesterday, Reuter reports from Mogadishu.

The killings are reported to have taken place on Sunday in fighting between supporters of warlord Mohammed Said Hersi, known as Morgan, and his rival Ahmed Omar Jess.

Iran may soon have N-weapon

By David White, Defence Correspondent

IRAN COULD have a nuclear weapon by the end of the decade, according to Mr Robert Gates, until recently director of the US Central Intelligence Agency.

He said this was probably "a reasonable estimate" if Iran did not receive fissile materials from abroad. If it did, it could complete a nuclear arms programme earlier, he told a BBC Panorama programme due to be broadcast last night.

The US intelligence community has been divided about the state of advance of Iran's nuclear programme. Panorama cited unconfirmed intelligence reports that beryllium, used as a component of nuclear weapons, and uranium pellets for a nuclear reactor had been shipped to Iran from Kazakhstan.

Mr Reza Amrollahi, president of the Iranian Atomic Energy organisation, strongly denied that Iran's nuclear programme, including its recent reactor deal with China, was for anything but peaceful purposes.

Mr Gates also told the programme there was evidence of an Iranian chemical weapons programme, including choking, blister and blood agents. Estimates of its stockpile ranged from a few hundred tonnes to 2,000 tonnes.

Iran was among signatories of a treaty banning chemical weapons in January.

US warned over drug budget cuts

By Paul Abrahams

THE US administration's targeting of the drugs industry could seriously endanger America's role as a leader in biomedical innovation, according to Mr Thomas Cueni, secretary general of Interpharma, the Swiss research-based drug industry association.

The drugs industry had been the main focus for cost-containment, especially as big multinational research-based groups were very profitable, said Mr Cueni. The industry suffered from a lack of trust and credibility that was partly self-inflicted.

"We have not been able to shift the debate from the cost of medicines to the cost of disease and the value of modern medicines. Instead, we are often portrayed as selfish, profit-maximising and cashing in on the plight of people who are sick and need solidarity," Mr Cueni told a Financial Times conference.

The industry would have to tackle its image problem to defend its future, said Professor Ernst-Günter Afting, head of the pharmaceutical division at Hoechst AG. Europe's pharmaceutical industry needed annual sales growth of around 10 per cent if it was to justify present spending on research and development of Ecu8bn (£6.54bn) a year.

The industry's defensive responses to reform proposals had added to its unpopularity, Mr Franz Humer, executive director at Glaxo, claimed. Yet in the US, 46 per cent of total healthcare spending was on hospital care and about 8 per cent on drugs. In 1989 the sector spent £11.9bn worldwide on discovering and developing drugs. Only three out of every 10 marketed products generated revenues in excess of their research costs.

The industry suffers from a lack of trust and credibility that was partly self-inflicted

Dr Frank Douglas, executive vice-president, research and development at Marion Merrell Dow, the US group, said the cost of research and development was rising with some new drugs requiring larger and larger trials – some as large as 46,000 patients.

Proving medicines' effectiveness in illnesses such as Alzheimer's disease was difficult and costly, he added. There was also a danger that companies would be forced to generate data on not only a medicine's safety and efficacy, but also cost and benefit.

The industry must engage in political marketing, demonstrating that its marketing strategies are beyond reproach, said Mr Cueni. "Freebies to attractive beach or exotic golf resorts should be a thing of the past," he said.

NEWS: WORLD TRADE

French adamant on Uruguay Round accord

Commission warns over oilseeds deal

By David Gardner in Brussels

FRANCE told its Community partners again yesterday that it could not accept any world trade reform package containing the oilseeds agreement reached last November with the US. But it was warned by the European Commission that it was playing into the hands of the Americans, who would welcome the chance to win a better deal for US farmers.

The exchange came as Mr Jacques Delors, Commission president, suggested informally to EC foreign ministers that a Uruguay Round accord should incorporate "social parameters" offering an agreed minimum of rights to workers. The implication was that Europe was being unfairly undercut by sweatshop labour in Asia.

Sir Leon Brittan, trade commissioner, reporting earlier to the foreign ministers on talks in Washington with Mr Mickey Kantor, US trade representative, said he believed the US wanted to finish the Round this year, and did not want new subjects on the agenda.

Mr Roland Dumas, French foreign minister, told his colleagues that France had been "totally consistent". The Commission still had to prove that the Uruguay Round farm chapter, and the oilseeds deal, were compatible with last year's reform of the Common Agricultural Policy.

The Uruguay Round "final act" – the foundation of attempts to conclude more than six years of world trade reform talks – was a reasonable basis for negotiations, Mr Dumas conceded, "except on agriculture".

Mr Rene Steichen, EC agriculture commissioner, insisted last November's agreement was "in line with the CAP", and that "it remains the basis for an agreement... fresh negotiations on agriculture would only please the US".

The French government threatened to veto the oilseeds agreement if it were put to a vote yesterday. Both the Commission and the current Danish presidency of the EC decided not to bring matters to a head, even though Mr Steichen fears an advantageous deal for the EC could unravel if not quickly confirmed. According to Mr Steichen, a vote is now likely when foreign ministers meet in Luxembourg on April 5.

US trade office sees difficult 1993

By Nancy Dunne in Washington

A 29 PER CENT rise in the US merchandise trade deficit last year is likely to be followed by a "potentially difficult" 1993, thanks to the sluggish or negative growth of America's trading partners and increasing US imports, according to the Office of the US Trade Representative, now headed by Mr Mickey Kantor.

The US will meet the difficulty with a policy of market-opening measures "backed by rigorous enforcement of US laws", says the office's annual report on US trade priorities. The report follows trade policy addresses by President Bill Clinton and Mr Kantor, his top trade negotiator, who promised a more "activist, less passive" trade policy.

Superficially there appear to be few changes. Completion of the Uruguay Round remains the top US priority; but the administration will stress increased market access through lower tariffs and non-tariff barriers in manufactured and agricultural goods and services.

The report mentions the need for market access for telecommunications and audio visual services, areas which put the US and EC on a collision course. The administration insists it will act "firmly to protect our interests should implementation of the European single market... discriminate against US firms or create barriers to US exports".

In the coming year the administration plans to boost the importance of the "new" issues in trade policy – competition policy and technology policy. "Issues related to the interaction of trade and environment will be given urgent attention," and lobbyists expect some environmental provision will be demanded within the Round.

The administration remains concerned about the excess supply of steel in the world and supports efforts to negotiate a Multilateral Steel Agreement and the establishment of "an effective mechanism" to resolve disputes. "Without the ability to subsidise domestic producers and with the elimination of both tariff and non-tariff barriers, steel trade would be conducted in a more efficient manner."

The trade representative is still consulting Congress about the extension of the fast-track negotiating authority in order to complete the Uruguay Round, the report says.

Clinton: activist policy

Canada's air rivals slug it out on ground

A ruling is imminent on a crucial issue in the battle for supremacy, writes **Bernard Simon in Toronto**

A VICTOR is about to emerge from what could prove to be the decisive battle in a three-year struggle between Canada's two main airlines, Air Canada and Canadian Airlines International. But the battlefield is far removed from normal measures of success or failure, such as operating costs or airport slots.

The fight centres on the computer networks used by travel agents to book seats and hotel rooms, and by the airlines themselves to manage their inventory of seats.

The quasi-judicial Competition Tribunal in Ottawa concluded hearings last week on an application by Canadian to break its management contract with the Gemini Group, a computerised reservation system owned by Canadian, Air Canada and Covia, a United Airlines subsidiary.

Canadian's survival depends on moving its business from Gemini to the rival Sabre system, which is owned by AMR of Dallas, parent company of American Airlines.

AMR wants to use Canadian as a guinea pig and a showpiece for building up its business of providing management services to airlines, other transport carriers and hotels. The fight over Gemini in Canada could thus be a taste of things to come in other parts of the world as AMR and other large airline management companies seek out new business.

The Dallas-based company has agreed to inject C$246m (£137m) of new equity into Canadian as part of a financial restructuring. But a condition of the entire deal is that Canadian transfers management of its internal reservations system (known as a "hosting" contract) to Sabre. AMR would provide not only a computerised reservations system but also a wide range of accounting, catering, planning, flight analysis, and airport office functions. It considers the sale of these services potentially more lucrative than the 33 per cent equity stake it will acquire in Canadian.

Canadian, whose parent company, PWA Corp, has recorded losses of C$720m in the past three years, says that it is doomed to bankruptcy without the AMR investment.

The Americans have given the airline until the end of the year to withdraw from Gemini and to fulfil two other conditions – the financial restructuring and the necessary regulatory approvals. In the meantime,

The fight centres on computerised booking networks

Canadian will be kept alive by federal and provincial government loan guarantees and equity contributions from its employees.

The application to withdraw from Gemini is supported by the Bureau for Competition Policy, Ottawa's anti-trust watchdog, wanting to avoid one airline ending up with a 90 per cent share of domestic scheduled traffic.

But Canadian's move is vigorously opposed by Gemini and the other two shareholders, which have accused the airline of trying to push it into bankruptcy.

The thrust of Air Canada and Covia's argument is that while an alliance between Canadian Airlines and Sabre might keep competition alive in the skies, it would create a near-monopoly on the ground. They contend that Sabre would have a stranglehold on the computerised reservations market in Canada. While it has a market share of only 30 per cent, compared with Gemini's 65 per cent, loss of the Canadian Airlines hosting contract would cut Gemini's revenues by a fifth. According to a Gemini briefing document, the move would also result in a "drastic reduction" in its share of the computerised reservations market, especially in Canadian Airlines' stronghold in western Canada.

However, these arguments are contested, not only by Canadian but by some of Gemini's biggest customers. Mr Bill McGuire, president of the Alliance of Canadian Travel Agents, said that improvements made to Gemini in 1991 had given it much the same capability as Sabre. Most travel agents would be reluctant to spend time and money learning a new system.

Gemini's future has also been cemented by its connections with Galileo International, the reservations system in which both United Airlines and Air Canada are shareholders, and which is Sabre's main rival in other parts of the world.

The Competition Tribunal is widely expected to give the green light to Canadian, perhaps with some conditions, thus prolonging the struggle between Air Canada and Canadian for supremacy in the skies.

Mr Jack Lawless, a Canadian spokesman, says the carrier most likely to survive in the longer term is the one "who can bleed the longest". Air Canada is in a stronger financial position than Canadian, but the latter's costs are 15 per cent lower and Mr Lawless says the services to be provided by AMR will bring them down "significantly".

In the long run, Air Canada's opposition to Canadian's withdrawal from Gemini may have less to do with survival of a computerised reservations system than with the future shape of the Canadian airline industry.

NEWS IN BRIEF

Chirac resolute on EC trade interests

FRANCE'S centre-right opposition, expected to form a government in four weeks, is proving even more critical of the Gatt negotiations and the US role in them than the ruling Socialists, whose leader, President François Mitterrand, meets US President Bill Clinton today, David Buchan writes from Paris.

At a party congress on Sunday, Mr Jacques Chirac, the RPR Gaullist leader, said "the time has come to defend [European] Community preference" in trade, both agricultural and industrial. The US has threatened to shut EC companies out of US federal contract bidding if the EC does not this month scrap a price preference in its new public procurement law.

HK contract for Babcock

Babcock Energy, part of the UK's Babcock International Group, has won an £80m contract to supply the heat-recovery steam generators for the new 2,400MW combined cycle gas turbine plant to be built at Black Point in Hong Kong, Andrew Baxter writes. Babcock was awarded the contract by GEC Alsthom, which leads a consortium that is building the plant for Hong Kong's Castle Peak Power. Black Point will be one of the world's largest CCGT power stations.

Scandinavians back Polish plant

Two Scandinavian power generating utilities have decided to commit up to $25m (£17.6m) each to the modernisation of a heat and power station at Leg in Cracow in southern Poland, Christopher Bobinski writes from Warsaw.

The Leg development, a pilot scheme for the privatisation of Poland's district heating sector, is also being backed by the World Bank, which is ready to assign a $100m loan to the project. The investment commitment from Imatran Voima of Finland and Vattenfall from Sweden comes amid a continuing Solidarity-led protest at the plant.

Iveco signs South Korean deal

Iveco, the industrial vehicles subsidiary of Italy's Fiat automotive group, has signed a licensing agreement with South Korea's Halla Engineering and Heavy Industry company to produce off-road trucks for the local market, Haig Simonian writes from Milan. No value for the deal, which envisages production of 250 heavy-duty Iveco trucks in South Korea this year, has been given. But by 1997 local production is expected to reach 1,000 units annually.

Aircraft must be modified

The Swiss government has told the maker of trainer aircraft ordered by the South African government to modify them so that they cannot be used for military purposes, Ian Rodger writes from Zurich.

The manufacturer, the Pilatus subsidiary of the Oerlikon-Bührle armaments and engineering group, said it would do whatever it could to find a solution to the problem.

Sanctions against Taiwan sought

Taiwan trade officials arriving in Washington yesterday were met with calls by a coalition of US businesses for trade sanctions, for Taipei's alleged failure to protect US patents, copyrights and trademarks, Nancy Dunne writes from Washington.

Taiwan signed an agreement last June with the US trade representative's office promising to provide improved levels of intellectual property rights protection. The meetings yesterday and today are part of the US commitment to monitor the enforcement of the agreement.

Lending rise boosts hopes of UK recovery

By Peter Norman, Economics Editor

NEWS of increased lending to British consumers boosted hopes for economic recovery yesterday and helped lift the UK equity market to a new high.

Official seasonally-adjusted figures showed that consumer borrowing through hire purchase agreements, bank credit cards and from specialist credit companies amounted to a net £151m in January, three times the £50m expected in the City.

The monthly net lending, *which excludes write-offs for* bad debt and is regarded by the government as the best guide to borrowing trends for consumer purchases, was the highest since July 1991.

The news, coming after reports of growing business confidence, subdued wage pressures and last week's cut in German interest rates, added to optimism about a nascent UK economic upturn and paved the way for strong gains on financial markets.

A buoyant start to the US bond market on Wall Street and heavy buying of the March stock index futures contract in London saw the *FT-SE 100* index rise sharply in afternoon trading to close at a new high of 2,957.3 points, up 35.2.

UK government securities also closed firm, while sterling maintained most of Friday's gains. The pound closed in London at DM2.4025, down somewhat on Friday's DM2.41, but above the psychologically important DM2.40 level.

January's increase in net consumer credit was the biggest since July 1991. It reflected strong lending by finance houses to car buyers and a recovery of borrowing on bank credit cards after five months of decline.

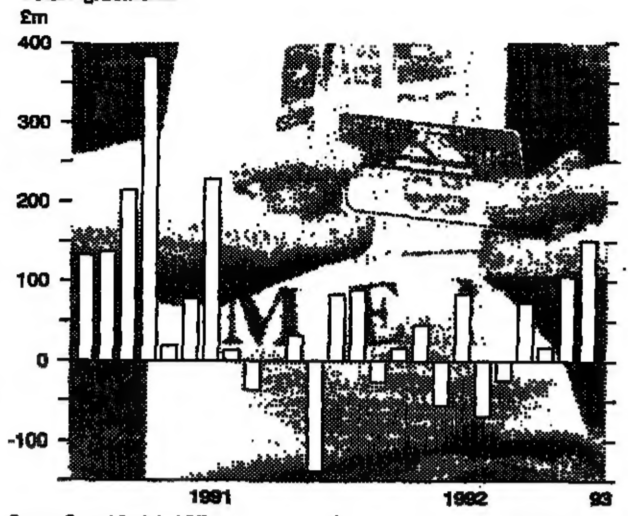
The Central Statistical Office also revised up its total of net consumer credit granted in December to £105m from £56m.

Official figures for the three months to January reinforced the impression of a steady revival in consumer credit demand. Net lending to consumers of £273m in the period compared with a net debt repayment of £22m in the three months to October last year.

The latest figures showed that consumers were again using credit cards to make purchases. Net lending through bank credit cards totalled £40m in January after five months in which borrowings had been repaid.

Neither the government nor the City, however, was willing yesterday to hail the figures as conclusive evidence that the recession is over.

Net lending to consumers*



Source: Central Statistical Office *Seasonally Adjusted

Lex, Page 16
Bonds, Page 21
London stocks, Page 27
Currencies, Page 34

Inquiry urged into Hoover offer

MR Nigel Griffiths, Labour's consumer affairs spokesman, yesterday called for a department of trade and industry inquiry into Hoover's "free flights" offers, which he said were the subject of "tens of thousands of complaints from customers", writes Gary Mead.

In 1992, Hoover ran two "free flights" sales promotions. Customers spending £100 or more on a Hoover product could apply for flight vouchers to European or US destinations.

Condemning the promotion as a "fiasco," Mr Griffiths said the inquiry should be able to "recommend compensation for any unreasonable conditions or behaviour by Hoover's agents."

Hoover yesterday accused the Daily Express of "distortion and misrepresentation of facts" in a story which featured several instances of dissatisfied customers.

But the company refused to say how many people had applied for free flights in either of its two promotions, nor would it disclose the number of people who may have travelled so far. The offers have closed, but the last possible date for a flight is April 1994. Flights were "subject to availability".

"Hoover is shrouding far too much of this in secrecy. There is considerable concern that they should come clean," said Mr Griffiths.

Bank wins dismissal case over shirt sales

By Diane Summers, Labour Staff

AN ASSISTANT vice-president of Chemical Bank, sacked for allegedly importing 2,000 shirts from Hong Kong and selling some of them around the office, was fairly dismissed, an industrial tribunal has ruled.

Mr Andrew Morgan, who was the US bank's chief UK accountant until he was sacked in June 1992, had claimed unfair dismissal. He told the tribunal the import *and sale of the shirts was a* one-off transaction and that many other employees were also conducting businesses with management's tacit approval.

Chemical Bank's code of ethics lays down that written permission is needed before any employee can get involved in an outside business. The code forms part of every employee's contract of employment and Mr Morgan had failed to get permission, the tribunal heard.

According to the written conclusions of the tribunal, Mr Morgan's activities first came to light during an investigation by the bank's management into travel and expenses claims. A file was discovered in the desk of Mr Lawrence Watts, a colleague of Mr Morgan's, which contained import certificates, shipping instructions and invoices for what appeared to be an importing business called Morgan and Watts.

Mr Watts resigned after a disciplinary hearing but Mr Morgan initially denied being involved in any serious business efforts.

A total of 2,000 garments had been imported but very few had been sold.

The tribunal heard that Mr Morgan was offered the chance to resign after having been found in breach of the company's code of ethics. When he refused to resign, he was dismissed for gross misconduct.

The tribunal concluded that it was immaterial whether the import and sale of the shirts had been a one-off transaction.

BBC chief's tax plan 'saved just £810'

By Raymond Snoddy

MR JOHN BIRT, the BBC director-general, claims today that he saved only £810 in tax in 1991 by being paid his BBC salary through his private company, John Birt Productions.

Details of his tax affairs, disclosed in a letter to The Times, follow an independent investigation of the affairs of John Birt Productions by Ernst & Young, the accountancy firm.

The letter from Mr Birt and supporting statements from the BBC follow comments by Mr John Watts, chairman of the Commons Treasury committee, that the Inland Revenue should have "a very close look" at Mr Birt's tax position.

In his first full statement on the affair Mr Birt said the benefits were "a close involvement in determining the nature of the work I should do and the flexibility and mobility of having my own company pension scheme". He said the tax advantages were modest.

In its assessment of the accounts of John Birt Productions in the year to August 1991 Ernst & Young said that the total turnover of £163,141 not only included the reimbursement of specific expenses incurred on BBC business but also contributions to his company pension fund.

Ernst & Young said that in 1991, the last year for which figures are available, Mr Birt *would have been liable for* income tax and national insurance contributions of £45,551 if he had been a BBC employee.

In the event he and his wife Jane paid £41,616 – a total saving of £3,935. After deducting the company's accountancy and administration costs "the net benefit for the Birt household was £810".

Government plans greater devolution without conceding an assembly

Lang to unveil Scottish reforms

By James Buxton, Scottish Correspondent

MEASURES TO improve the way Scotland is governed – without conceding the creation of a Scottish assembly or parliament – are to be unveiled this afternoon by Mr Ian Lang, Scottish secretary.

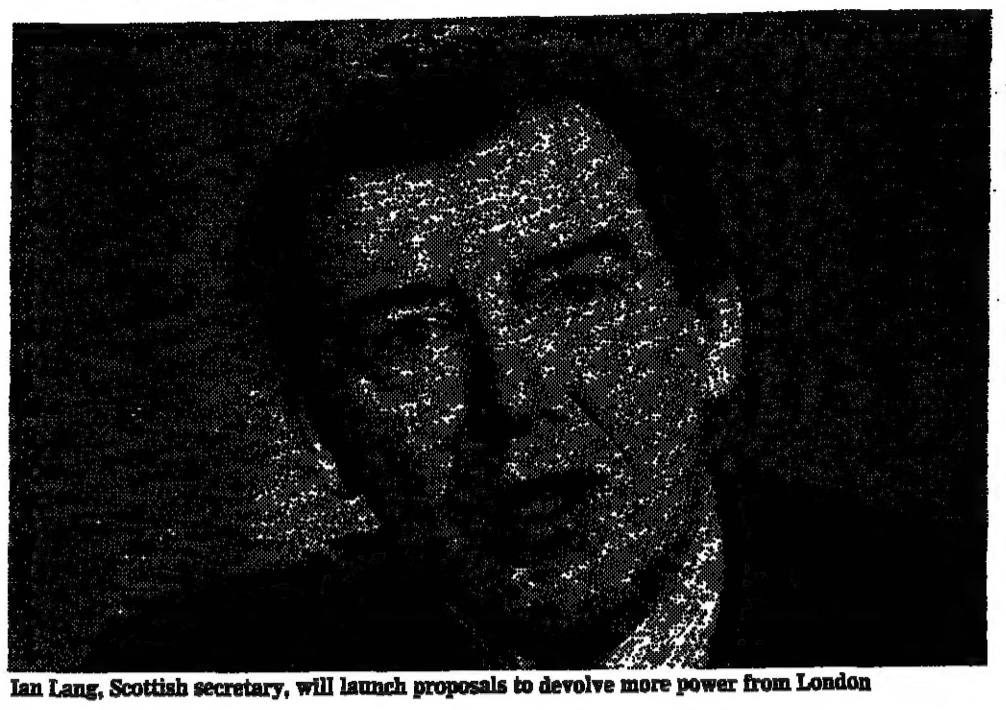
They include proposals to increase the scope of the Scottish grand committee, which includes all 72 Scottish MPs and is augmented by non-Scottish Tories to reflect the government's parliamentary majority, and to devolve more administrative powers from London to the Scottish Office.

The grand committee is likely to handle at least some sessions of Scottish questions to the Scottish Office ministers and to debate non-contentious Scottish legislation. The Scottish Office could take responsibility for training from the Department of Employment.

Accompanying the package should be an announcement that some civil servants dealing with the regulation of North Sea oil development in the Department of Trade and Industry will move to Aberdeen.

The package, contained in a consultation paper, is certain to be attacked by Labour, the Liberal Democrats and the Scottish National party. Even people associated with the government concede that it may not win it many friends.

One observer said yesterday: "If it isn't a nine-day wonder, it could irritate people and throw petrol on dying embers." Yet the widespread view in Scotland is that the government will probably get away with it.



Ian Lang, Scottish secretary, will launch proposals to devolve more power from London

The package is the fulfilment of a statement by Mr John Major last February that while ruling out any change to the union of Scotland and England, he would "take stock" after the election.

It was a sensible precaution because at that stage it seemed likely that even if the Tories won the election they would lose many of their nine seats in Scotland.

In the event the Tories took two seats in the election and raised their 24 per cent share of the Scottish vote by nearly two points.

The government is going ahead with the move partly because Mr Lang has made conciliation and consultation the hallmarks of his administration since the election, and partly because he believes he can outflank the opposition.

After the election a cross-party organisation called Scotland United was formed to keep up the fight for constitutional change, but its demonstrations soon fizzled out.

However, 25,000 people marched in Edinburgh during December's European summit in support of "democracy for Scotland".

● Mr David Hunt, Welsh secretary, yesterday rejected vigorous calls for an elected Welsh assembly made at a meeting in Cardiff of the Welsh grand committee of MPs, the first time it has met outside Westminster.

The demands for an assembly, led by Mr Neil Kinnock, former Labour leader, dominated the committee's debate on the structure of government in Wales.

When Mr Kinnock, MP for Islwyn in south Wales, intervened to ask the Welsh secretary to show "some give" over the issue, Mr Hunt said it would be "the wrong direction for Wales – a step backwards to out-of-date beliefs".

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Police criticise charity's delay over fraud

By Jimmy Burns

SENIOR police officers investigating an alleged £6.2m fraud at the Salvation Army believe they could have made more arrests had the police been informed much earlier about the case.

Although it has emerged that Salvation Army officials may have suspected fraud as long ago as last August, they did not contact the police then.

It emerged yesterday that in July last year, the company fraud squad of the City and Metropolitan Police, had made one arrest last July in connection with the alleged fraud that cost the Salvation Army £6.2m.

In July the police seized documents which linked the Islamic Panamerican Bank with an international network of fraudsters dealing in forged letters of credit and forged bank guarantees.

Following the arrest and the obtaining of the documents, police contacted the FBI and regulatory authorities in the US. This led to Islamic Panamerican Bank being identified as a fictitious bank and a second individual Mr Gamil Naguib, as one of those mainly responsible for it.

Both the Islamic Panamerican Bank and Mr Naguib were named in a writ issued by the Salvation Army last month to recover its funds. It was only following this, that police were officially asked to investigate the alleged fraud.

Referring to Mr Naguib and other individuals linked to the Islamic Panamerican Bank one senior investigator said yesterday: "If the Salvation Army had told us then I think we would have caught them with their pants down."

The importance which British police are attaching to the international dimension of the Salvation army fraud will be underlined later this week when senior detectives will ask the Crown Prosecution Service for clearance to travel overseas in pursuit of fresh information.

It is understood that British police want to interview officials in Luxembourg, and Belgium in connection with the transfer between at least two bank accounts last year of an estimated $10m of Salvation Army funds.

The sum was initially deposited in an account of ASLK-CGER Bank in Antwerp, Belgium. The bulk of these funds are believed to have subsequently been transferred to Banque Continentale du Luxembourg without the knowledge of most of the charity's senior officers.

Police now believe that bulk of the funds have been the subject of theft and may never be recoverable unless further legal action is taken.

The latest development on the Salvation Army case comes amid renewed indications that the Serious Fraud Office is showing an interest in getting involved in the investigation.

Under the Criminal Justice Act, the SFO may take over from the fraud squad cases involving sums of more than £5m. The Salvation Army had no comment yesterday.

Lobby group warns that reduced output could cost Britain £200m

US defence cuts raise Trident fears

By David White, Defence Correspondent

THE MINISTRY of Defence will come under pressure this week to clarify its arrangements for obtaining Trident strategic missiles from the US, following a report that US defence cuts could raise the cost of the programme to Britain by more than £200m.

The report by the British American Security Information Council (Basic), an independent lobby group, said reduced production plans by the US navy would increase unit cost per missile by $13m to $49m.

Britain has already ordered and paid for a large part of the missiles it requires - thought to be about 70 - to equip four submarines. They will be drawn from a shared pool and returned to the US for servicing. Basic estimated the extra cost of missiles remaining to be paid for by the UK was $221m-$312m.

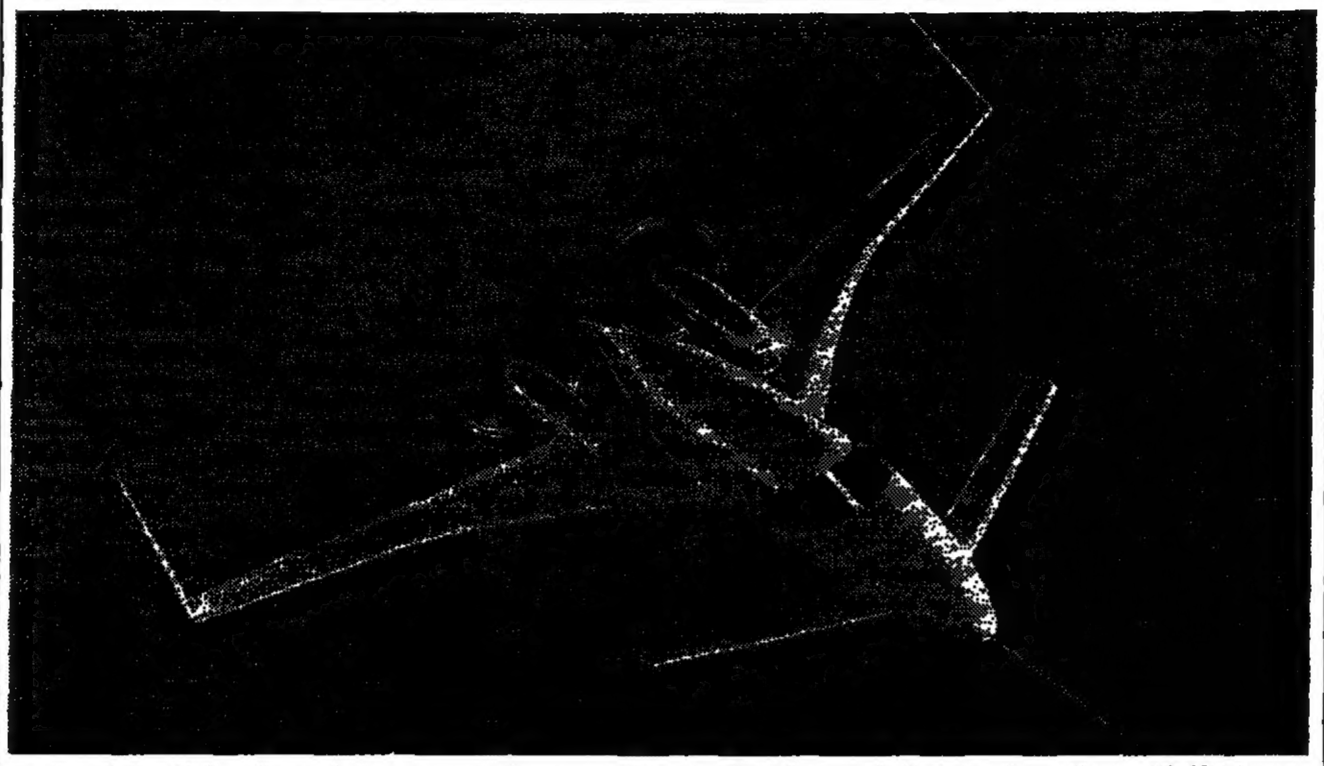
The Ministry of Defence, however, rejected this figure as "completely unrealistic". It did not yet have conclusive information about the impact of the US changes on Britain's costs, but said the increase would not be significant "and could be nothing." Mr David Clark, Labour Party defence spokesman, said he was "alarmed" by the Basic report.

The all-party Commons Defence Committee is due to question officials about the the Trident nuclear deterrent programme tomorrow.

Last year it estimated the cost of the actual Trident missiles – not counting their warheads, which will be British-made - at £988m out of a total programme of £10.5bn. The Basic report said the US was reckoned up to now to have covered at least 20 per cent of the UK's share of Trident missile production costs. But it considered it unlikely that the US Congress would favour boosting the size of this "subsidy" by not asking the UK to pay the increased cost.

Concern over the Trident costs coincides with expectations that the US is likely to pull out of a four-nation project to develop a "terminal guidance" cluster weapon for multiple rocket launchers. Germany is also likely to quit, putting pressure on Britain which, after putting £100m into development, may withdraw rather than go 50-50 with France.

The British army considers the system a battle-winner, but the Treasury regards it as overlapping with planned air-launched weapons.



Beechcraft, the US aircraft manufacturer, hopes to lease more of its starship turbo-props in the UK under a scheme with Air Hanson

Starship enterprise lands in UK

THE Beechcraft Starship, a high technology corporate turbo propeller aircraft made of composite materials, could become a familiar site in European skies, writes Paul Betts.

Air Hanson, the corporate aircraft subsidiary of the UK Hanson conglomerate, has just launched a campaign to lease the US built rear engined turbo-prop in the UK.

Mr Mike Lacey, manager of Beechcraft sales at Air Hanson, yesterday said he was in discussion with two or three UK corporations interested in the all composite aircraft.

Developed in the early 1980s to combine the economies of a turbo-prop with the interior space of a medium sized business jet, the aircraft has had a chequered marketing history.

"The myths of the Starship are that it is slow, noisy, can't carry very much and doesn't go very far," said Mr Lacey. With a range of 1500 miles and a speed of around 320 knots, Mr Lacey believes the 6 passenger Starship is a "misunderstood" aircraft with interesting prospects in the recession-hit business aviation market.

Britain in brief

More public bodies face competition

A further £1bn of government activities could be opened up to competition from the private sector, under an initiative from Mr William Waldegrave, public services minister.

Sir Peter Levene, head of the prime minister's efficiency unit, has begun talks over the new tranche of market-testing which is set to affect not just government departments but other public bodies too.

The new round will include quangos – public bodies which are separate from Whitehall. "This goes right the way through government," said one official. Executive agencies, which operate at arms length from departments, and the departments themselves, are already within the scope of market-testing.

Boost for UK film industry

There are growing signs of life in the British film production industry, largely because of the weakness of the pound against the dollar.

Mr Sydney Samuelson, the British Film Commission, just back from meeting with senior executives of all the leading studios in Los Angeles, found evidence of renewed interest. "There was 10 times the level of interest this time compared with a year ago," said Mr Samuelson, who heads the National Film Commission.

Banks hit at audit proposals

British banks attacked as costly and disruptive a government plan to require auditors of financial institutions to report to regulators anything of "material significance".

The Treasury's proposed legislation follows recommendations in last year's Bingham report on the supervision of the collapsed Bank of Credit and Commerce International. But bankers said the rules were too wide-ranging and would jeopardise the relationship between them, their auditors and the regulators.

Syndicate posts £100m loss

One of the most highly rated syndicates at the Lloyd's of London insurance market yesterday reported that its 1990 loss would exceed £100m – about twice the estimate reported by syndicate managers less than five months ago.

The extent of the problems of syndicate 745 will increase concern among Names – the individuals whose capital supports underwriting – that Lloyd's overall deficit for 1990 could reach the 1989 total of £2bn when global figures are reported in June.

KPH Underwriting Agencies, which manages the syndicate, expects losses to amount to between £108m and £129m. This compares with the syndicate's stamp capacity – capital base – of £43.1m. Last October KPH said losses would be between £36m and £60m. The syndicate's 1,750 Names could lose up to £30,000 for each £10,000 share in the syndicate.

EC red tape

The government task force engaged in a battle to reduce red tape is to survey 500 small businesses on their views about European Community regulations. British companies often complain that EC rules are made even more complex when civil servants translate them into UK legislation, Mr Neil Hamilton, corporate affairs minister said.

Black and Asian jobless

Nearly a quarter of a million of Britain's unemployed are black or Asian, according to figures released yesterday by the GMB, the general union. It said blacks and Asians are more than twice as likely to be unemployed as white people – one in four of black workers have no job and just under one in every five Asians.

Based on figures from the April 1991 Census, updated to take into account the rise in unemployment since over the past 23 months, the survey said the worst area for Asian unemployment is the London borough of Tower Hamlets, with as many as 45 per cent jobless.

Legal aid suit

The Law Society, the solicitors' governing body, is to sue Lord Mackay, lord chancellor, over his plans to introduce standard fees for criminal legal aid work in the magistrates' courts.

This is the second time that the profession has taken a lord chancellor to court over legal aid. In 1986 the Bar and the Law Society sought a judicial review of a refusal by Lord Hailsham, then lord chancellor, to award legal aid lawyers a "fair and reasonable" pay rise. The case was settled out of court.

The decision to seek a judicial review of Lord Mackay's standard fee proposals follows a year-long campaign by solicitors to persuade Lord Mackay not to replace the current system of paying solicitors on the basis of the work actually done with a system based on standard fees for different categories of case.

Rail interest 'encouraging'

More than 70 private-sector groups have expressed an interest in operating rail passenger services under the franchise arrangements planned by the government, Mr John MacGregor, transport secretary, told the Commons.

He said it was "extremely encouraging" that they included more than 20 management-employee buy-out teams.

Della Bradshaw examines a growing Japanese trend for international collaboration on R&D

Two heads are better than one

ON A grey February afternoon in a London meeting room, a Cambridge research team announced that it had demonstrated one of the holy grails of electronics engineering. It had developed a single electron device, where a "bit" of information could be stored by a single electron in a chip.

The announcement overshadowed one of the most innovative aspects of the development: it was made by a joint Anglo-Japanese research team.

For Hitachi, it was the first time the company had conducted fundamental research outside Japan, according to Akira Koizumi, managing director of Hitachi Europe.

But this is a growing trend among Japanese companies. Cambridge's Cavendish laboratories have collaborative agreements with both Toshiba and Hitachi to conduct research into quantum electronics. And Sharp has set up its European research centre on the Oxford Science Park.

Clive Bradley, managing director of Sharp Laboratories of Europe, believes credence in these projects is growing within Japanese industry and government. "Generally speaking there is a perceived need to bring into Japanese companies the kind of research experience that is done outside. Building laboratories overseas and having good communications is the best way of doing that," he says.

Yutaka Kuwahara, general manager for Hitachi Europe's research and development centre, emphasises the point. "Discussion between people from the same cultural background is not so deep. Researchers with different backgrounds bring different attitudes."

Hitachi had some track record in collaboration between Japanese and overseas researchers before joining forces with Cambridge. Some 300 foreign scientists had already passed through the doors of its Tokyo research laboratory.

"About five years ago we believed – and we still believe – that revolutionary technology could be done through international collaboration," explains Kuwahara. "We thought industry would have difficulty in doing it on its own – it needs to be a collaboration between theorists and industry."

Hitachi ploughs £1m a year into its Cambridge laboratory, which pays for seven staff, two from Japan and five from the UK. This comprises half the joint development team, with the rest funded through UK academic sources. Hitachi holds the patent on the single-electron device, but Cambridge University will share in any financial returns from the breakthrough.

British and Japanese scientists join forces in quantum electronics research at the Hitachi Cambridge Laboratory

The Toshiba Cambridge Research Centre, on the Cambridge Science Park, which has been open since January 1991, has 11 staff, two of whom are Japanese. The managing director is Michael Pepper, a Cambridge professor.

Sharp's laboratory, which has been open since March 1992, is by far the largest of the three. It employs 42, including four Japanese researchers, and has funds of £4m a year, out of Sharp's total R&D funds of £500m. The most difficult thing in setting up the laboratories from scratch, reports Bradley, was deciding the focus of the research.

"Sharp asked us to consider programmes in opto-electronics, artificial intelligence and machine translation. Those were the broad categories," he recalls.

Cambridge's Cavendish laboratory and Hitachi faced a similar challenge. Four years ago the research was centred on quantum devices: only as the research progressed did it become focused on the single-electron memory.

Researchers argue the collaboration has been fruitful, though not necessarily easy.

"Science is fairly universal," points out Haroon Ahmed, professor of micro-electronics at the Cavendish Laboratory. "But there are different ways of doing things."

The Hitachi team gets together once a week to discuss the extent of its research. "We also argue about our results," adds Ahmed.

'Science is fairly universal, but there are different ways of doing things'

"I am very interested in the difference between the Japanese and the UK way of doing research," explains Yasuo Ikawa, deputy managing director of the Toshiba Cambridge Research Centre. "As far as basic research is concerned the UK has strengths historically. Japan, I believe, has strengths in developmental research. We have to think about combining those differences."

Ikawa believes that in Japan researchers take a "me too" attitude to research. When a theory is first proposed, he says, researchers are sceptical. But once the theory appears plausible, then every company takes it up. In the UK, on the other hand, researchers do not want to work in areas where rivals are working. "That is why there is so much creative and original research done in the UK," argues Ikawa.

Bradley believes that in Japan more emphasis is placed on quantifying targets, even in basic research. "I have to try to come to an appropriate blend of individualism in creative research and Japanese management skills," he says. "Management skills are not something that comes naturally to highly innovative scientists."

The trick, believes Bradley, is not to suppress the individualism that persuaded Sharp to invest in British scientists in the first place. And, he adds: "We've been pleasantly surprised to see how researchers have responded to targets, even if they're five or 10 years away."

Communications hold the key, believes Kuwahara. At Hitachi, relationships were introduced at every level of research – between researchers and scientists as well as managers. Research programmes were used to send people from the UK to Japan to work in Hitachi's laboratories, where work is done on the related field of atomic manipulation. "Of course, it is not easy," says Kuwahara. "But this sort of human communication is very important."

Bradley goes even further. He believes good communications between researchers in Japan and those in Oxford are crucial to the team's success. Researchers in the two centres have a "very active day-to-day relationship", he says.

Technology also aids researchers in forging closer links. Electronic mail, telephones and facsimile machines are used to keep researchers in the UK in contact with those in Japan.

Sharp has a global network for telephone and fax calls. Looking to the future, Bradley believes computer-to-computer communications will also be established. But this will create its own problems. Much of the data held in the principal research centre are in Japanese and would need translating.

Bradley points out the culture of Japanese companies such as Sharp prevents the research laboratories from feeling cut off from the main body of researchers. "It's not the Japanese way to leave us isolated. We're all part of the family now. They work very hard at that."

For Bradley, the links between Oxford and Japan are particularly important because the Japanese company is Bradley's biggest customer.

Although the European offices of Sharp funded the £9.9m capital outlay for the research facility – Sharp in the UK provided 80 per cent with France, Germany and Spain providing the rest – it will be some time before they will be able to take the Oxford developments and incorporate them into products.

"In five to 10 years' time we will be looking more to European countries," adds Bradley.

For Toshiba, too, it is Japan that funds the research. But, says Ikawa, the head office gives the research team a certain amount of autonomy. "Toshiba Tokyo's concern is the research results."

In spite of the difficulties, Hitachi's Koizumi believes the benefits of international collaboration have outweighed any problems. "We believe this is a good model for a different way of doing research," he says. "It's the opposite side of the brain drain."

Technically Speaking

Finding a grand unified theory

By Alan Cane

THE turmoil in the information technology business is plain to see. But the reasons why so many different *kinds* of IT company are in trouble is less obvious. A whole litany of causes can be invoked to explain why companies are losing money, cutting staff, losing the loyalty of their customers and so on.

The problem, as Charles Morris and Charles Ferguson point out in the current issue of the Harvard Business Review, is that the usual explanations are inadequate.

Certainly the recession is taking its toll throughout the developed world, but some companies, Intel and Microsoft among them, continue to increase their sales and profits despite the devastation.

The move to "open" or industry standard systems has promoted lower prices for both open and proprietary equipment. But the open systems revolution has not gone that far yet.

The shift away from mainframes has also affected the traditional computer industry – companies such as IBM and Unisys. But the majority of companies which rely on mainframes will continue to use them. There is simply no cost-effective substitute to mainframes for some applications. Certainly not client-server networks.

Some companies, such as Digital Equipment, failed to exploit personal computers early enough. But personal computer makers and distributors have also been having a rough time as prices plumb the depths, taking profit margins with them.

Clearly, there is a crying need for a "grand unified theory" of the great computer industry disaster to serve both as warning and encouragement.

Morris and Ferguson, authors of a soon-to-be-published book entitled Computer Wars: How the West Can Win in a Post IBM World, do the next best thing. They suggest a "grand unified theory" of success.

"Competitive success flows to the company that manages to establish proprietary architectural control over a broad, fast-moving competitive space," they argue.

In other words, the company that owns, maintains and continues to develop a design which becomes an industry standard should be a winner.

Their explanation holds good for Intel, Microsoft and Novell. Intel's microprocessors, Microsoft's operating system and Novell's networking software are all examples of proprietary designs which have achieved dominance and propelled their owners to seemingly untouchable success.

Morris and Ferguson are not afraid to take several heretical lines: proprietary systems, they say, serve customers and technological progress better than open designs, which become stultified by the need to settle on compromise solutions. But proprietary designs have to be vigorously defended, and this propels technological progress forward.

They also argue against the 1980s wisdom that companies should avoid broad, cost-sensitive markets in favour of high-price niches: "In fact, the broad market is the strategic high ground, if it is covered by a proprietary architecture. Niche product vendors can make profits, but they will remain minor players."

Experience of IBM and its all-pervasive System 360 mainframe computer architecture or Matsushita and its victory over Sony with the VHS video recorder format suggest that Morris and Ferguson's thesis has much to recommend it.

They say nothing about the role of luck in the equation, however. Intel and Microsoft have made the most of their proprietary architectures but they were handed all the advantages by IBM. When it should have held on to at least part of its control of its microprocessor or operating system design, IBM gave it away and unwittingly sowed the seeds of today's PC price wars.

Luck, of course, favours prepared minds and Intel and Microsoft were more prepared than most. But until creators of "grand unified theories" find a way of factoring luck into their equations, they will remain incomplete explanations of business success.

MANAGEMENT: THE GROWING BUSINESS

Driving down car costs

Next week's Budget is expected to bring further changes in the tax treatment of the company car. But whatever the chancellor decides there are ways in which companies can reduce costs, according to a new guide* to company car management.

Managing a car fleet and preparing budgets depends on keeping records of previous performance. Manual records must include copies of all invoices including the original purchase invoice and registration date. A full service history can increase the sale price of the vehicle.

Several software packages are also available so careful choice needs to be made to ensure you get the right one. These should allow you to compare performance and cost with make, model, mileage and department.

Many companies allow drivers a free choice of vehicle within a price range without giving consideration to the reliability or service costs. Incentives to employees if they maintain their vehicles in good condition can help to ensure they are looked after properly.

If you use an outside garage for servicing do not allow individual employees to make a choice without vetting their selection and agreeing labour rates. Try to use as few garages as possible to build up a good working relationship and always ask if you can get a discount on parts.

Keep to the manufacturers' recommended service schedules though this does not necessarily mean using main dealers. Main dealers can charge £25-£50 an hour for labour but other, still reputable, garages can charge only £16-£18, even in central London.

Tight control must be kept of fuel bills. A fuel card can be used to keep control of costs nationwide. The fuel card company will usually provide an itemised bill twice a month. This not only controls unauthorised spending; it reduces administration time and provides useful management information about the efficiency of the car fleet.

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**Director's Guide to Company Car Management. 80 pages. £9.95. The Director Publications, Mountbarrow House, Elizabeth Street, London SW1W 9RB. Tel: 071 730 6060.*

Charles Batchelor begins a monthly series answering questions raised by the single market

A clearer view of the EC

THE formal launch of the European single market on 1 January 1993 signalled the most ambitious step towards European integration since the drawing up of the Treaty of Rome in 1957.

In many areas, however, the creation of the single market was more apparent than real, since legislation prompted by the Single European Act of 1987 has been coming on stream for some time. The most notable changeover on 1 January was the switch to a new system of accounting for VAT and for collecting trade statistics.

In the run-up to the creation of the single market companies were deluged with advice from the government, consultants, accountants and advice agencies on what action to take. Since 1 January the clamour has been stilled but businesses are still coming to terms with the changes.

There are many sources of information open to businesses on the single market both public and private but the FT believes that by highlighting some of the issues which arise it will be providing a service to readers.

We may also be able to pinpoint areas where either the original EC directive or subsequent national legislation has led to difficulties.

We therefore invite readers to write or fax any queries relating to doing business in Europe or resulting from the creation of the single market. The FT is happy to acknowledge the assistance of the London Chamber of Commerce and Industry's European Information Centre in compiling this feature.

Write to Charles Batchelor, *Single Market Q&A, Number One*, Southwark Bridge, London SE1 9HL or Fax 071 873 3933.

Public contracts

Q: How can I find out about public contracts open for tender in other members states? Can I bid for them?

A: Yes, any company based in the Community may bid for contracts advertised in the Supplement to the Official Journal.

EC legislation governing public procurement requires public purchasers in the member states to submit details of contracts for supplies, works, utilities and services to the Commission for inclusion in the supplement.

This journal is known as the "S series" and is published daily. It is available on subscription from Her Majesty's Stationery Office.

You can consult all Official Journals at your local European Information Centre. In addition, Tenders Electronic Daily, the on-line version of the supplement, offers accurate and up-to-date information on contracts.

A number of organisations, including the European Information Centres, operate a monitoring service whereby companies are notified of relevant contracts.

Contracting authorities have a choice of three types of procedures.

- Open procedure – any interested contractor may submit a tender. This is the procedure which is most commonly followed.
- Restricted procedure – only those contractors who have been through a pre-qualification process are eligible and may be invited to tender.
- Negotiated procedure – allows contracting authorities to consult contractors of their choice and negotiate the terms of the contract with one or more of them.

Public purchasers must advertise contracts above set minimum values. These are Ecu200,000 (£165,000) for supplies and services, Ecu5m for public works, Ecu600,000 for services in telecommunications and Ecu400,000 for services in the water, energy and transport sectors.

What the rules mean

Q: I am familiar with the term "EC Directive" but recently came across an "EC regulation". Can you tell me what the difference is?

A: There are five kinds of EC rule-making procedure. They are:

- Regulations. These are directly enforceable laws applicable and binding in the member states. In other words, no local laws need be passed for them to be effective.
- Directives. These are also legally binding but require further action by member states. They lay down the intended results of legislation leaving it to the individual member states as to how these aims are to be achieved and the target date for implementation.
- Decisions. These apply to member states but may apply to an individual or a company (or any legal entity) and are legally binding. They are primarily used to enforce competition policy decisions.
- Recommendations and opinions. These are not legally binding but they do have considerable political influence.
- Notices. These are not really legislation, nor are they legally binding but are generally intended to provide guidance. They are usually used to assist companies in the field of competition.

Importing toys

Q: We import toys and sell them in the Community. What are the standards that apply and are there any plans to tighten them further? In addition, how do we prove we have attained the standard and carried out the necessary testing?

A: The EC has ruled all toys should bear the CE (Communité Européenne) mark at the point of entry into the EC. It is recognised, however, that many importers apply the CE mark after importation and, as far as we are aware, this is accepted by many port authorities.

There is no specific procedure for testing products nor does any authority formally award the CE mark.

The mark is a declaration that the toy complies with the requirements of the EC legislation. It is the responsibility of the importer or manufacturer to ensure this declaration is accurate. In the UK the toys may be subject to checks by trading standards officers and, or customs.

To ensure the toys comply with EC rules, the importer/manufacturer may decide to have the product independently tested in an accredited laboratory within the EC – a list of EC-approved bodies is contained in the Official Journal C264, 1992.

Samples are submitted for testing to the harmonised standard and any other relevant standard. In the case of EC-type examinations, full manufacturing and design details should also be submitted.

Toys which legitimately carry a CE mark may be circulated legally throughout the Community. All member states have implemented the Toy Safety directive.

Selling by mail order

Q: I understand there are new VAT requirements for small companies involved in distance selling. I sell by mail order and wonder how this will affect me?

A: From the beginning of 1993 the rules changed. If you sell to customers in other EC countries who are not VAT registered, you are responsible for the payment of VAT in this country.

This ruling applies until the value of distance sales (which includes mail order) to another EC country exceeds a specific threshold.

Member states have stipulated the following thresholds will apply to each individual country and will be set in the currency of each country:

- Ecu35,000 Belgium, Denmark, Greece, Ireland, Italy, Luxembourg, Portugal and Spain.
- Ecu100,000 France, Germany, Netherlands and the UK.

When your sales surpass the threshold of any country, VAT becomes payable in that country on any further sales and you are required to register for VAT there. If you do not already have representation in the other member state, you must appoint a tax representative who will be responsible for accounting for VAT to the authorities on your behalf. This will usually be an accountant.

Food packaging

Q: We are a UK-based company selling Danish foodstuffs. Is there any European Community legislation governing the language employed on food packaging? Would it be enough, for example, to place a notice in English over the display cabinet describing the product and its contents?

A: The EC rules require food retailers to display information about their products in a language which can be easily understood by customers. It is unlikely that a general notice in English above the display cabinet would be considered sufficient.

Your have three options to meet the directive: you could repackage the goods using English-language packaging; you could apply English-language labels to the original packaging; or you could have folders or pamphlets printed and distributed with the foodstuffs in question.

This subject is covered by EC directive 79/112/CEE relating to the labelling, presentation and advertising of foodstuffs for sale to the ultimate consumer. The directive indicates the information which must be provided on labels. The language question is covered by article 14.

In a Nutshell

Insuring against terrorist damage

Business tenants in leased premises must make sure that they are fully protected under new insurance arrangements agreed by the Association of British Insurers and the government to meet claims for terrorist damage, London solicitors Hill Taylor Dickinson warn.

Landlords usually insure their leased buildings but pass on the cost to their tenants. If the landlord does not top up the £100,000 basic terrorist cover provided and the damage sustained is greater the tenant may have to meet the cost of the repairs.

Worse still and depending on the terms of the lease, the tenant may have to continue paying rent on a wrecked building and could lose the right to bring the lease to an early end, Hill Taylor Dickinson advise.

China backs capital venture

What is claimed to be the first government-backed venture capital company in China, the Guangdong Science & Technology Venture Capital Company, has been launched.

The company has two funds: a $7m, (£4.8m) open-ended fund in which the Industrial Commercial Bank of China, CITIC Industrial Bank, Guangdong Development Bank and Guangdong Science & Technology Commission, are investors; and a $10m, 10-year closed-end fund in which the commission and an unnamed US investment company are investors.

The funds aim to develop technology, help finance small and medium-sized companies and find global markets for products and services in areas such as communications, new materials and textile manufacturing.

Contact Guangdong Science & Technology Commission. Tel: 852 544 7072. Fax: 852 854 4579.

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For further details please contact:-
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LEGAL NOTICES

Notice of Appointment of Liquidator
Voluntary Winding Up (Members or Creditors)
ROSEHAUGH SC LIMITED

Company number: 2331098. Previous name of company: Intercede 647 Limited. Nature of business: Property Development. Type of liquidation: Members. Address of registered office: 9 Marylebone Lane, London W1M 5FB. Liquidators names and address: Christopher John Hughes and Timothy Richard Harris, Coopers & Lybrand, St. Andrews House, 20 St. Andrews Street, London EC4A 3AY. Office holder numbers: 2041 and 2129. Date of appointment: 25 February 1993. Appointed by: Rosehaugh SC Limited.
Dated: 26 February 1993.

NOTICE OF JOINT ADMINISTRATIVE RECEIVERS
TRISON MAINTENANCE LIMITED

Registered number: 2414910. Nature of business: Air Conditioning. Trade classification: 07. Date of appointment of joint administrative receivers: 16 February 1993. Name of person appointing the joint administrative receivers: Lloyds Bank Plc
David Robert Wilton and Ian Napier Carruthers
Joint Administrative Receivers
(Office holder nos 5708 and 6682)
Coopers & Lybrand
43 Temple Row
Birmingham B2 5JT

Notice of Appointment of Joint Administrative Receivers
TRISON PLUMBING LIMITED

Registered number: 1673177. Nature of business: Air Conditioning. Trade classification: 07. Date of appointment of Joint Administrative Receivers: 16 February 1993. Name of person appointing the Administrative Receivers: Lloyds Bank Plc. Joint Administrative Receivers: David Robert Wilton and Ian Napier Carruthers (Office holder nos 5708 and 6682). Coopers & Lybrand, 43 Temple Row, Birmingham B2 5JT.

Notice of Appointment of Joint Administrative Receivers
TRISON ELECTRICAL LIMITED

Registered number: 2125442. Nature of business: Air Conditioning. Trade classification: 07. Date of appointment of Joint Administrative Receivers: 16 February 1993. Name of person appointing the Administrative Receivers: Lloyds Bank Plc. Joint Administrative Receivers: David Robert Wilton and Ian Napier Carruthers (Office holder nos 5708 and 6682). Coopers & Lybrand, 43 Temple Row, Birmingham B2 5JT.

Notice of Appointment of Joint Administrative Receivers
TRISON GROUP LIMITED

Registered number: 1902227. Nature of business: Air Conditioning. Trade classification: 07. Date of appointment of Joint Administrative Receivers: 16 February 1993. Name of person appointing the Administrative Receivers: Lloyds Bank Plc. Joint Administrative Receivers: David Robert Wilton and Ian Napier Carruthers (Office holder numbers 5708 and 6682) Coopers & Lybrand, 43 Temple Row, Birmingham B2 5JT.

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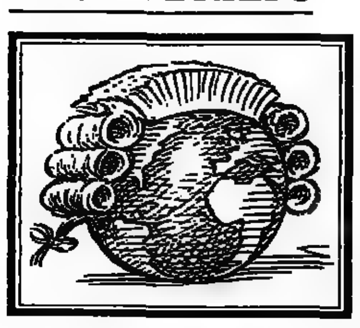
BUSINESS AND THE LAW

LEGAL BRIEFS



Final members of Financial Law Panel announced

THE governor of the Bank of England has appointed the remaining members of the Financial Law Panel set up to tackle problems of legal uncertainty affecting the wholesale financial markets in the UK.

The panel, chaired by Lord Donaldson, former Master of the Rolls, will consist of Mary Arden QC, a company and commercial barrister; Ronald Artus, former executive director of Prudential Corporation; Walter Gubert, managing director of J.P. Morgan; Lord Hollick, managing director of MAI; Professor Jack, senior partner of solicitors McGrigor Donald and chairman of Scottish Mutual Assurance; Sir Brian Jenkins, senior partner of Coopers & Lybrand; Michael Jenkins, chairman of London FOX; Humphrey Norrington, vice-chairman of Barclays Bank; *Ian Plenderleith, associate director* of the Bank; Mark Sheldon, joint senior partner of Linklaters & Paines; Andrew Tuckey, chairman of Baring Brothers; Robert Walther, investment director of Clerical Medical Investment Group; Nicholas Wilson, adviser to National Westminster Bank; and, John Gieve, head of banking group at the Treasury.

Senior salaries

SENIOR in-house lawyers at the Fortune magazine top 100 US companies received an 11 per cent pay increase last year taking the average salary package for these lawyers to $469,500 (£330,600).

Their UK counterparts enjoyed an average 3.2 per cent rise according to a survey by legal *recruitment consultants Chambers* & Partners. Average salary for senior in-house lawyers reached £89,960. The top 10 per cent in the 30-34 and 40-44 age groups fared better, with remuneration of £149,000 and £171,250 respectively.

Inquiries that neglect the man in the street

Robert Rice reviews the debate over company investigations

Doubts about Department of Trade and Industry company investigations as a method of regulation have resurfaced in the wake of the recent publication of the long-awaited report into share dealings by the conglomerate Suter and its chairman, Mr David Abell.

Debate has been further fuelled by the revelation in the House of Commons last week that the investigation cost £501,000.

The 147-page report, which had taken four and a half years to put together, found no evidence that Mr Abell had acted in concert with associates in taking stakes in a number of companies in the mid-1980s. The DTI said no further action would be taken.

Yet the report called into question some of Mr Abell's evidence as "inconsistent" or seeking to "mislead". It questioned the timing of private share purchases by Mr Abell in Suter's potential bid targets.

Investors might legitimately ask why it took four and a half years to lift the cloud hanging over Suter, particularly in the light of the DTI's decision not to take action. Suter's growth was held back by the investigation. Other small conglomerates with which it was compared during *the early 1980s have moved ahead.*

Concern about the company investigations system as a means of protecting individual consumer and investor interests were first voiced at the end of the 1980s following criticisms of the handling of the House of Fraser, Barlow Clowes and Guinness investigations.

The House of Commons Trade and Industry Committee produced a report in May 1990, calling for changes to make the system quicker and more efficient. It said that broader public interests than just the duties of directors and the rights of shareholders should be reflected in company law and the way it was applied.

The DTI had told the committee that the object of Companies Act investigations was to find out in the first place what was going on. This was done by calling for papers and interviewing witnesses. This evidence then formed the basis for any action, which included criminal prosecutions, winding-up of companies, disqualification of directors, sanctions by employers or other regulators, and changes in the law.

The committee, however, felt the overriding aims of investigations *should be to protect investors (and* other companies or individuals with whom the company under investigation may do business), to promote efficient and honest markets, and to maintain the integrity of the UK as a financial and business centre.

It concluded, from looking in par*ticular at the House of Fraser* report, that the interests of consumers, non-equity investors, creditors and employees did not attract the attention they deserved.

The committee also recommended changes to speed up the whole process. It accepted the DTI's argument that it would be impractical, given the present level of available resources, to abandon the use of part-time external inspectors in favour of a full-time internal inspectorate. Even a small team of full-time inspectors would be periodically underemployed or overstretched. But it said outside inspectors should be required to devote at least 75 per cent of their professional time to an inquiry and major inquiries should complete their reports within 12 months.

The DTI's response to the committee's report was lukewarm. Professor John Farrar, a company law specialist, called it "characteristically complacent". The department accepted it had some responsibility for protecting the interests of consumers and individual investors but said there had to be realism about what *any regulatory system could* achieve. It could not hope to prevent all company failures or misconduct. The objective should be to set a framework within which investors could make their own judgments about risk and reward.

The DTI criticised the committee for concentrating on major inquiries and paying scant attention to the bulk of its investigatory work – basic fact-finding carried out by in-house investigators under section 447 of the Companies Act 1985.

These inquiries are not announced and the findings are not published.

Although the DTI says it is still in discussions with the select committee, little progress has been made towards implementing reform. Implementation of the recommendation that the trade secretary should automatically apply for the disqualification of directors who give false information to DTI inspectors could have had a significant bearing on the Suter report for example.

Instead the DTI appears happy to rest on its record. On the surface that looks quite impressive. In the fiscal year 1991/92, there were 177 investigations under companies legislation, 155 of them unannounced inquiries where the DTI called for company papers under section 447. Seven teams of external inspectors were appointed and five inspectors' reports were published during the year. Seventeen companies were wound-up. Eighteen trials resulted in the conviction of 31 individuals. Ten people were disqualified as directors for periods from three to 15 years. The DTI also disclosed information and documents to regulatory bodies on 63 occasions.

The City, too, appears generally happy with the present system. Company lawyers do not see reform as a priority and seem more concerned with ensuring procedures are fair to those under investigation. Mrs Frances Heaton head of the Takeover Panel, said that while the present system was "clearly not ideal" there was a "need to be realistic about what it is trying to achieve". Where there was a possibility of criminal charges, inquiries had to proceed with great caution. It was difficult to see what could be done to speed them up.

The Securities and Investment Board said there had been few problems with recent investigations. The inquiries that gave rise to all the criticism arose out of events dating back to before the 1986 Financial Services Act. The Mirror Group Newspapers investigation would provide the first real test of the system since the act came into force, but it was too early to say yet that it was taking too long.

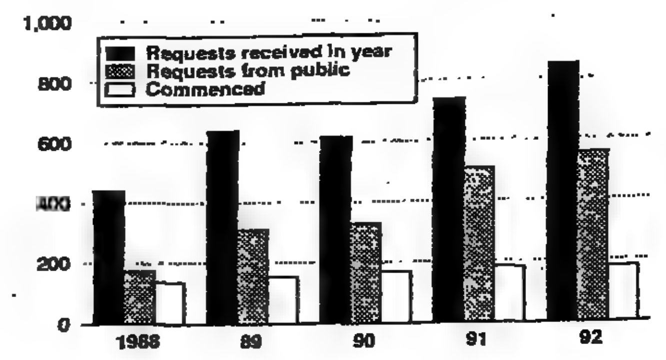
From the public's point of view, however, the DTI's record is less satisfactory. The number of appointments of inspectors is very small compared with the number of applications for investigations, 65 per cent of which are now made by the public. The number of applications has risen steadily in recent years from 441 in 1987/88 to 850 in *1991/92 but the number of statutory* investigations has only risen from 135 to 177 over the same period. This has only fuelled criticism of inaction by the DTI.

Little progress appears to have been made either in speeding up the procedure. The average time to complete a major investigation has fallen from three years, eight months in the early 1980s to two years, four months today. But delays in publication after an inquiry seem to have increased.

Regulators welcome the publication of interim reports as a useful development, but no action has been taken on the committee's proposal that inspectors' recommendations for prosecution or disciplinary action should be contained in a separate appendix so that the bulk of a report can be published quickly.

It may come down to a question of resources. The DTI investigations division needs beefing up. While resources remain scarce, reform along the lines recommended by the committee looks unlikely.

Company investigations by the DTI



Source: DTI

David Abell, Suter's chairman

EUROPEAN LAW

Compensation valid for NZ cheddar

New Zealand cheddar imported into the European Community by one EC country and then resold in other Community countries is entitled to monetary compensation amounts (MCAs) when being resold in the Community, the European Court of Justice ruled last week.

The case concerned the New Zealand Dairy Board and its subsidiary *in Germany, General Milk Products* GmbH. Until 1984, the subsidiary had imported cheddar, among other products, from New Zealand for resale within the Community, and these resales benefited from MCAs.

MCAs were introduced by the Community to compensate for fluctuations in export and import prices of agricultural products between the prices fixed by the Community institutions and the real market prices.

In 1984, an agreement was reached between New Zealand and the Community, whereby the regime for trade in cheese was changed. Instead of minimum prices and *quota restrictions* on cheese imports into the Community, the new arrangements relied solely on quota limits.

This change led the German customs to refuse the applicant company any MCAs for the cheese it was seeking to export from Germany to other countries in the Community.

The European Court ruled that the change in arrangements for the import of cheese from New Zealand into the Community had not had any impact on the granting of export MCAs.

The Court said that, in deciding to suspend the minimum prices, the *Commission must have found New* Zealand prices and Community prices for cheddar to be compatible. This had nothing to do with the grant of export MCAs, which were aimed specifically at neutralising the consequences of currency fluctuations on the movement of agricultural products within the Community.

The Court therefore ruled in favour of General Milk Products but with one proviso. Export MCAs were applicable to the transactions in question as long as, like the GMP dealings, they were ordinary commercial transactions. MCAs would not be granted to fictitious arrangements, intended *only to claim the* benefit of MCAs.

This proviso was clearly aimed at underlining the Community's wish to stamp out the fraudulent transactions that have been a feature of certain agricultural markets within the Community in recent years.

C-8/92: General Milk Products GmbH v Hauptzollamt Hamburg-Jonas, ECJ 3CH, March 3 1993.

Other cases of interest

Among the many opinions of the Advocates-General, two cases look certain to be of particular interest. They both concern the Community rules relating to health warnings on cigarette packets.

Advocate-General Lenz found that Community rules required member states to ensure that health warnings on cigarette packets covered 4 per cent of the surface area of each packet. National authorities, however, are not entitled to demand that health warnings cover a larger surface area than 4 per cent, even if the domestic labelling requirements are more strict. Advocate-General Lenz also found that the Community rules, as presently constituted, only allowed for one health warning per cigarette packet. The judgment of the Court will be awaited with interest by the cigarette manufacturers.

C-222/91: Ministero delle Finanze e Ministero della Sanita v Philip Morris, Opinion of Advocate-General Lenz, March 2 1993.

C-11/92: R v Gallagher Ltd, Opinion of Advocate-General Lenz, March 2 1993.

BRICK COURT CHAMBERS, BRUSSELS

PEOPLE

Norcros shuffles its titles

Norcros, the building products and packaging group, is switching Michael Doherty to the post of executive chairman and doing away with the title chief executive.

Doherty joined Norcros as chief executive five years ago – after it had escaped the clutches of Williams Holdings – from Cope Allman.

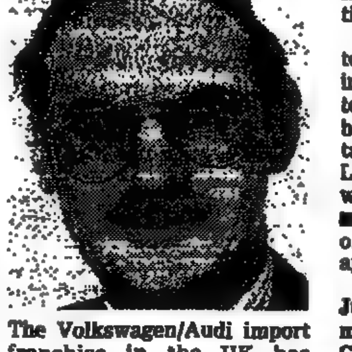
He also took on the role of deputy chairman in 1989 when Julian Sheffield, son of the founder, became chairman. Sheffield is stepping aside as chairman but stays as a non-executive director.

Robert Alcock, who joined as finance director from Nabisco UK in October 1989, is being promoted to the new post of group managing director. Norcros is seeking a replacement as finance director. According to Doherty: "Robert will look at the business from month to month and I will look at it year-to-year."

Although the changes are not a direct response to the Cadbury report, Doherty says, some of the requirements mean that "the role of chairman is much more demanding". As a "virtually full-time" chairman of Norcros, he had few other business interests. The main one was the chairmanship of Henlys, the motor group. This proved rather onerous last year as it was fighting off a hostile bid from T Cowie.

Norcros is making the post of deputy chairman non-executive and Anthony Elliott, a merchant banker who has been on the board for six years, will fill that role. He is also a director of SG Warburg and Bridon, the wire rope maker.

Non-executive directors



The Volkswagen/Audi import franchise in the UK has appointed a new titular head little more than a month since the ink dried on its formal transfer from Lonrho to the German motor group itself.

However, the appointment as chairman of Detlef Wittig (above), head of export sales at the Wolfsburg parent, will have little impact on the day-to-day running of the operation based in Milton Keynes. Wittig will be non-executive and remain in Wolfsburg. Previous VAG (UK) chairmen have *similarly* been non-executive, and drawn from Lonrho.

Wittig himself is no stranger to the British operation, having been a non-executive director since 1989 – when VW first began flagging its intention to take back the franchise from Lonrho by beefing up its board with Wolfsburg appointees.

■ Carl Hahn, former chairman of Volkswagen, has been appointed a non-exec at TRW.

Justin Dukes (right), 51, a former managing director of Channel Four Television, has been appointed a non-executive director of VTR, which provides video post-production facilities for advertisers and programme makers.

Dukes' name has been linked with a number of high-profile media jobs since he quit Channel Four, including, most recently, a bid to get Britain's fifth television channel based in Scotland.

A former joint managing director of the Financial Times, he joined Channel Four in 1981 and was involved in its start-up. However, he lost out to Michael Grade in the battle to succeed Jeremy Isaacs for the top job there and in June 1988 left to become chief executive of Galileo, the newly-created European airline computer reservation systems group. Since 1989 he has been chairman of the European Communications Industries Consortium.

Finance moves

■ *Ron Lee, formerly a director* of BAe's Airbus and commercial aircraft subsidiaries, has been appointed executive director, UK and international human resources at FIDELITY INVESTMENTS.

■ Tominari Miyiki, formerly senior vice-president at Nikko Securities International in New York, has been appointed director and deputy head of the global structured products group in Tokyo of UBS *PHILLIPS & DREW; Masakazu* Murayama moves from Dillon Read to become director in the capital markets division, also in Tokyo.

■ Alison Deuchars, formerly a banking analyst with Smith New Court, has been appointed a director and bank analyst with LEHMAN BROTHERS INTERNATIONAL.

■ Mladen Ninkov has been appointed a director of ANZ, International Merchant Banking and head of the international corporate finance department.

■ Jeremy Alford and Terry Arthur have been appointed directors of WHITTINGDALE Ltd; Robin Gilkes, Lionel Hoare and Christopher Povall directors of Whittingdale Unit *Trust Management.*

■ Peter Bowers moves on to the board of NOBLE LOWNDES.

■ Chris Keljik has been appointed general manager, Africa, for STANDARD CHARTERED.

■ *David London, formerly a* director of Greenwell Montagu, has been appointed Midlands regional business development director for Quilter Goodison, part of COMMERCIAL UNION.

Binks leaves CSI; Jones leaves Lloyds Abbey Life

David Smith, the management consultant who masterminded the Isosceles bid for Gateway in 1989, is to become chief executive of Cannon Street Investments.

Smith replaces Robin Binks, the man who first introduced the accountant and business consultant to CSI's board in September. The two met when Smith was trying to organise the bid for Gateway and Binks helped Isosceles to secure the finance for the bid.

Binks, who was informed of the board's decision to replace him about two weeks ago, has been paid compensation believed to amount to a six figure sum.

Tom Long, chairman of CSI, says the company is moving into a phase when operational skills would become more important: "That is where David's skills lie."

Binks, a former merchant banker who joined CSI in November 1990, had been crucial to the group's debt reduction strategy involving the disposal or closure of several subsidiaries. Under his tenure, disposals included the flotation of Avonside, the housebuilder, the sale of 1.5m Betacom shares, and the laundry group, Stalbridge.

CSI is now estimated to have debt of less than £35m, against a peak of £100m.

■ Gary Jones, marketing director of Lloyds Abbey Life since it was founded in 1988, is to leave the company at the end of this month.

A spokesman for the company said that Jones, who joined Abbey Life in 1986 from the brewing and retailing division of Grand Metropolitan, was not moving to a specific job elsewhere, but had decided that he no longer wished to continue working in life assurance.

Lloyds Abbey Life does not intend to appoint a replacement in the short term, but will divide his responsibilities between the company's different divisions.

■ John Cook has resigned from IPECO HOLDINGS.

■ Clive Line has resigned from CLUFF RESOURCES.

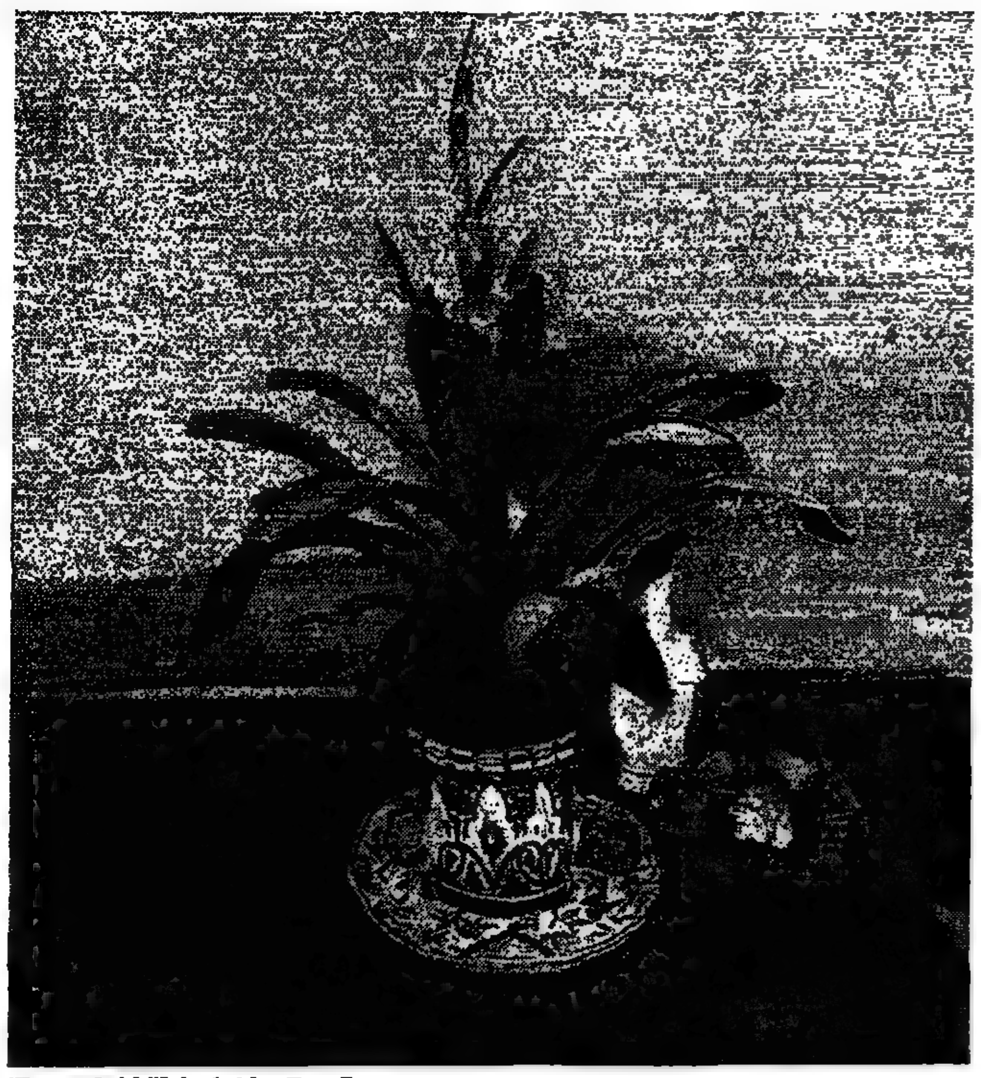
■ Richard Crotty will be retiring *from LOMBARD NORTH* CENTRAL in June.

■ Nathaniel Blackwell is retiring from FERRANTI INTERNATIONAL.

■ Bryan Gregory has resigned from JOHN LAING.

■ Bobby Charlton and Philip *Hawthorne, directors of* CONRAD CONTINENTAL which operates in leisure clothing, sports coaching courses and sports ground security, have resigned in order to concentrate on the trading activities of Bobby Charlton Enterprises.

Back to the figurative



'Bromelaid Vriesia' by Ben Levene

Though one would hardly think it, to look at the artists promoted abroad by the British Council, or supported by the Tate Gallery or our other major domestic institutions, figurative painting continues to flourish to a remarkable extent in this country. By that I mean painting founded in the direct response to the visible world, to landscape, the figure and still life, as in the Beaux Arts tradition.

Until a generation ago, it was the staple of all training in the fine arts, for sculptors, too, were brought up in the observation and modelling of the figure. But to speak of such things today is to speak a foreign language so far as most artists under the age of 50 are concerned. If the tradition still flourishes, it does so at the hands of artists of a certain age.

Sargy Mann is in his mid-fifties, a product of the Camberwell School under the old, unreformed dispensation. He is a painter of landscape, but the landscape neither of great distances nor of particular scenes, details or effects. His subject is rather the near and middle ground: the studio interior or, as in this exhibition, the comparatively close and oddly enclosed spaces near his home at Bungay in Suffolk; the village street, footbridge and river bank, farm buildings.

The wonder is that he is able to paint at all, for he is now nearly blind, with no more than peripheral vision in one eye. This is not to make allowance for the work, but to remark upon its nature. The over-coming of the disability has had a profound and clear effect upon what the work actually is, both in its process and its result.

Unable to consider the subject-scene in its entirety, he is forced to examine it point by point and even to walk into it himself, to look more closely, to pace and feel and measure. And the surface of the painting is the record of this process, with its scribbled chalk notation of registration and confirmation, its loose atmospheric suggestions and the final, solid, monumental simplicity of the forms themselves: the buildings, roofs and objects by which the true pictorial space is established.

The sense is of the painting never stopping, a continuous and living process, with every day a new start, from which the sense of place,lively and authentic, is teased at last. Mann's is indeed an aesthetic of process and physical commitment, quite remarkably so.

Hans Schwarz is now 70, a refugee from Vienna and the Nazis before the War who has made his life in England ever since. He too is a painter of landscape, but no local loyalist, for he is as likely to be taken by the visual excitement of a zebra crossing as by the view across the Thames to St Paul's, or a French village street, or a Somerset duck-pond. He is also one of the most forceful and lively painters in water-colour at work in this country, which is not at all intended as the back-handed compliment it might seem.

The conventional hierarchy of media, by which oil on canvas rates as something inherently more serious and vainable than work on paper, was always something of a nonsense. Serious artists use whatever medium and material are appropriate to their particular and immediate needs, and the portability of paper and the speed and flexibility of water-colour make their own case.

Schwarz is no narrow specialist, but that his large water-colours should be so cheap is merely to make the point with a nice irony. He uses body colour to some extent, which sacrifices something of the natural luminosity of true water-colour, but he gains infinitely in the richness of his effects, both physically on the surface, and in his colour, for he is an instinctive and adventurous colourist, with his dense oranges and purples, greens and ochres.

He shares this current show with the much looser, more abstracted landscape water-colours of Jenny Ryrie, a young painter from Scotland having her first proper showing in London.

Ben Levine, again, is in his mid-fifties, a product of the Slade School under Coldstream, but no dot-and-carry methodist. He paints still-life, flowers in pots for the most part, and the landscape as though seen through the window, the view high across the fields to dark hills beyond. The drawing is close enough to be positively descriptive, as opposed to the merely suggestive, but a closer view shows it also to be quite crude in its sophisticated way, graphically firm and purposeful rather than more subtly accommodating.

The effect is oddly emblematic, most especially in the flower pieces, a quality often reinforced by the use of a gold-leaf ground, setting the image up in an almost hieratic isolation. Presented so simply and directly, the paintings seem so much the more charged with colour, and it is indeed as a colourist that Levine is most interesting. He is no strident colourist, but within the cool range of his greens and reds, golds and blacks, he does achieve a remarkable control, the brightest viridian that is a field a mile or two away sitting quite properly in its pictorial place, keeping its distance. And with Matisse and Manet, Levine knows, what most artists do not, how rich and various a colour black can be.

William Packer

Sargy Mann: Cadogan Contemporary, 108 Draycott Avenue SW3, until March 27. Hans Schwarz: Thackeray Gallery, 18 Thackeray Street, Kensington Square W8, until March 26. Ben Levine: Browse & Darby, 19 Cork Street W1, until March 2

Weekend music in London

More Britten at the Barbican

It cannot be often that the audience at a music festival can be drawn to a programme of films about miners and postmen. The Barbican's recent study weekends devoted to the works of single composers have ferreted out some interesting fringe items for the cinema and the present Festival of Britten is no exception.

On Sunday three short documentaries with scores by Britten were shown in Cinema 3. They are early works, mere bread-and-butter earnings perhaps, but bold, inventive, adventurous. *Coal Face* – an educational film dating from the 1930s about the coal industry's pivotal place in the British economy (how times change!) – is astonishingly modern in its aim of creating music out of the sounds of industrial tools and equipment, even coal tumbling down a chute.

Encountering out-of-the-way pieces like these widens one's appreciation of how far ahead of his time the young Britten was. There is a theory recently given air-time on Channel 4 that, in later life, Britten became too much part of the establishment and in some way less true to himself. With so much of his music on offer, it should be possible to come to some overall view of his output before this month-long festival reaches its close.

Certainly the music of the 1930s hits hard in a way that makes some of Britten's later work sound unduly comfortable by comparison. The main evening concert at the Barbican Hall on Sunday included the Violin Concerto of 1940. This has always seemed to me the strongest of all his orchestral works, a score with a troubling blend of disquiet and foreboding that gives it an atmosphere all of its own. Mark Lubotsky, violinist on the composer's own recording, was the pithy, occasionally uncertain, visiting soloist.

There really is little comparison in the quality of this music and the sentimental pseudo-Elizabethan pastiche that makes up the Suite from *Gloriana* of 1953, which opened the concert. As for the *Young Person's Guide to the Orchestra*, that can claim professionalism in its defence, though it does sound better when played less heavily than it was here by Mstislav Rostropovich, conductor and architect of the festival.

No complaints about the concert as a whole, however. For at its centre was a moving account of the Serenade for tenor, horn and strings, in which Rostropovich's fondness for loving all the music he performs to excess did pay dividends. Barry Tuckwell was the exemplary solo horn (we are lucky still to have these associates of Britten with us) and Anthony Rolfe Johnson sang the tenor part with such infinite sensitivity that the few moments of strain will not be mentioned. For its part the London Symphony Orchestra would seem to be enjoying another first-rate festival.

★

On Thursday Rostropovich had appeared as solo cellist, the role in which Britten knew him. Perhaps his technique is no longer the dazzling, note-perfect facility which inspired the daunting difficulties of the Solo Cello Suites from the composer, but he still plays them (the Third, on this occasion) with an intensity that is out of the reach of his successors. The Cello Sonata, accompanied with light-fingered grace by Ian Brown, also washed over with feeling.

Britten only met Rostropovich in 1960 and so the music that he wrote for him dates from relatively late in his life. By and large they are works with a renewed sense of purpose and individuality. As our knowledge of his music grows, I am prepared to lay claim that it is Britten's middle years which will eventually be seen as his weaker period.

Richard Fairman

Festival of Britten continues at the Barbican until March 21 (Box Office 071-638 8891)

Virtuosos at the piano

On Saturday in the Wigmore Hall, the Swiss pianist Andreas Haefliger – late 20s, son of the distinguished Bach tenor Ernst – made his first London appearance, and on Sunday at the Barbican the 21-year-old Russian Yevgeny Kissin (already heard here in a concerto or two, one of which is reviewed by Andrew Clements, below) gave his first solo recital at the Barbican. Even in London, it is rare to come upon a pair of such remarkable débuts inside 24 hours.

On the strength of these performances Haefliger might be thought to have the edge in continual, passionate expression, Kissin to excel in miraculous pianism – not just aggressive bravura feats, but a speaking subtlety in *piano* and *pianissimo* that held his Barbican audience in bated-breath silence. Nonetheless, any such comparison would be pointless.

Haefliger's extra few years may explain why he could illuminate Schumann's *Davidsbündlertänze* with so much direct feeling. This set of linked pieces – later than *Carnaval*, despite their arsy-versy opus numbers – trades off the composer's "Florestan" *persona* (florid and pressing) against his soulful "Eusebius" (tremulous and introspective) more specifically than any of his other music. Most pianists treat it as semi-private, rarefied stuff to be rendered in half-tones. In Haefliger's hands it brimmed with vitally contrasted sentiments, naked and assured, and it made a grand, riveting sequence.

The comparable high-water mark in Kissin's recital came with the three slow Intermezzi of Brahms's op. 116 *Fantasies*. The quicker Capriccios were superbly fastidious *and* fluid – that combination is Kissin's special strength – but just on that account less craggy, troubled and unassuageable than some old masters can make us hear. The Intermezzi, however, were sculpted with nerve-end delicacy; they hung in the air like densely luminous objects, each with its own poignant freighting. The house was spellbound; this was piano-playing of a very rare order.

Haefliger had started off with Sofia Gubaidulina's *Chacona*, already 30 years old but still bristling with muscular, visionary flashes. Kissin began with four Liszt transcriptions of Schubert songs, where he emphasised the tunes over the charms of Liszt's filigree enrichments. Instead of being cajoled by those latter, which must be the best excuse for playing the Liszt versions, we were reminded of how much more penetrating a singer can be with the vocal lines. After them came the "Wanderer" Fantasy, in which Kissin's lofty, unblinking long-view compensated perfectly for his penchant for languishing moments.

Both artists saved their pyrotechnical gifts for their second halves. After unfolding deep, sumptuous textures for Debussy's second book of *Images*, Haefliger whirled through Liszt's "Mephisto Waltz" with far more digital brilliance and sweep than he had allowed himself earlier in Mozart Kissin went from his radiant Brahms back to Liszt, with a *Rapsodie Espagnole* of bewitching elegance, wit and dazzling dispatch. Barring fatal accidents, these pianists should command delighted audiences for many years to come.

David Murray

On Sunday afternoon, while young Kissin was giving a recital at the Barbican, a senior Russian pianist of considerable fame was doing the same at the Royal Festival Hall (a regrettable clash for those in either audience who might have wished to attend both). Lazar Berman has been absent from the London scene since 1984; he returned with a familiar Berman programme – Liszt and Liszt-Schubert in the first half, Mussorgsky's *Pictures ay an Exhibition* in the second – and a keyboard style not at all changed by the passing years.

Berman remains a "piano animal" of astonishing ability. In the climaxes of Liszt's *Funérailles* and Mussorgsky's *Great Gate of Kiev* finale he drew from the instrument a sustained lion's roar that had nothing in it of banging or applied force. In the Liszt *Tarantella* he achieved remarkable feats of dexterity and filigree fleetness. The darker-toned *Pictures* were characterised with many a piercingly idiomatic inflection derived from a precisely weighted and varied keyboard touch.

What was lacking was any deep command of musical form and progress – rhythms of slower passages tended to droop, phrasing to be vague – and any specific involvement in re-creating moods of charm, tenderness, delicacy. The three Liszt transcriptions of Schubert songs and the *Petrarch Sonnet no. 104* were delivered, not sung. For me (though not for the throngs of noisily enthusiastic admirers) a Berman recital remains an odd compound of moment-by-moment thrill and overall disappointment.

Max Loppert

Theatre

Macbeth

Dr Johnson disliked *Macbeth* because of the line "Nor heav'n peep through the blanket of the dark, to cry, Hold, Hold!" Who, thought Johnson, could hear of *peeping through a blanket*? Now videos, lasers and scarifying electric soundtrack challenge the settled gravity of *Macbeth* in a bold, fresh, wayward production at the Leicester Haymarket.

Julia Bardsley's heavily-cut text reduces Shakespeare's shortest play to a shade over two hours: out go the Porter, the evocations of Dunsinane and the lyrical lines on sleep; in come lasers, microphones and stroboscopic light. The nine actors rove around three sunken water tanks, two dozen chairs and a rail of coats.

Bardsley's newness of insight certainly reshapes the play. The initial encounter between Macbeth and Duncan is played twice: first as "There's no art to find the mind's construction in the *body*", and then as the usual "face", a joke about body language in the video age. Soliloquies are shouted into microphones, muttered through cigarettes, or shared between characters. These cuts and alterations stress the action, a play-size model of Macbeth's "If 'twere done, when 'tis done, then 'twere well it were done quickly."

Of course, Shakespeare often needs alteration. The scenes in England – largely cut here – do little more than give the actor playing Macbeth an act's rest. But this production distorts both the play and the mind's own workout in the theatre. Scourging *Macbeth* of its lyricism turns the action into physical event rather than verbal interplay. The witches' warnings to Macbeth are drowned in a welter of electric distortion, so first-time playgoers would have no idea what was happening. These prophecies must be clear so Macbeth's fear becomes understandable in the final scene. Other directorial waywardness includes having Lady Macbeth sleepwalk along a long line of pillows, like someone trudging through a snowdrift, rubbing her hands with cold; and having all the characters prowl over the set, colonising the stage space but dissipating the focused energies of the verse.

Christopher Toulmin's lighting is the technical hero. The deep black stage is scoured by floodlights, rotating, searching out the shadows among heaps of ladder-back chairs: red light for murders, blue for night. Purple and green lasers represent the witches, who speak in three voices through one actor with a video camera. The anti-climactic chaos of the final scene finds Macbeth surrounded by chairs, raincoats and spotlights. The moral issues are dismissed as Macbeth's identity is excised. It was the radical Dr Johnson who thought the action of *Macbeth* too forthright to admit of individual characters.

Andrew St George

Leicester until March 20; 0533 539797

Kissin in concert

The Philharmonia's concert on Thursday, conducted by Leonard Slatkin, had something for almost everyone – a nearly new work by James Macmillan, his Sinfonietta, as well as a neglected Shostakovich symphony (the Sixth) and a rare appearance in London of one of the most exciting pianists of the younger generation, Yevgeny Kissin (reviewed in recital above by David Murray).

Kissin is still only 21; Russian born, he made his British debut in 1987 at the Lichfield Festival. His reputation here rests largely upon a handful of recordings (including the First Tchaikovsky Concerto with Karajan, some Brahms, Liszt and Schubert's *Wanderer* Fantasy) which readily distinguished him from current excellent keyboard technicians as a pianist who evidently regards his extraordinary dexterity as a means to a carefully considered end rather than as an accomplishment in itself.

Certainly his reticent platform manner and uncomplicated keyboard style implies thoughtfulness, and positively belies the glittering panache of Kissin's playing; the clean-cut accuracy of his figuration and the perfectly weighted rhythmic emphases seem utterly natural. Prokofiev's Third Concerto, which he played with the Philharmonia, does not provide too many opportunities for profound contemplation, yet there was a sense that everything Kissin did was informed with a genuine musical purpose, that he listened acutely to what was going on in the orchestra and gave every passage a beginning, a middle and finally a structural function. By the highest standard the performance was fractionally short on excitement. There were no risks of any kind; never a hint of insecurity but no flashes of inspirational daring either.

The support provided by the Philharmonia was always vigilant. Slatkin is a refreshingly straightforward musician, a selfless accompanist, an unfailing guide through the excitements and longueurs of a work like Shostakovich's Sixth, and a reliable presenter of unfamiliar scores. In fact Macmillan's Sinfonietta was not all that unfamiliar; it was first performed barely a year ago by the London Sinfonietta who commissioned it.

At that premiere the single-movement work seemed thin on substance and almost complacent in its formal planning, and the expansion to full symphonic proportions (to which the programme note provided no clue whatsoever) is no help at all in disguising the flabby musculature and insipid melodic content.

Andrew Clements

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw Tonight: Vassili Sinaiski conducts Netherlands Philharmonic Orchestra in works by Brahms and Strauss, with piano soloist Vladimir Viardo. Tonight in Kleine Zaal: Andreas Schmidt song recital. Tomorrow, Thurs, Fri, also Sun afternoon: Riccardo Chailly conducts Royal Concertgebouw Orchestra in Brahms' First Serenade and Zemlinsky's Lyric Symphony. Sat morning: Roberta Alexander song recital. Sat afternoon: Valery Gergiev conducts Rotterdam Philharmonic Orchestra in Prokofiev, Shnitke and Berlioz, with viola soloist Yuri Bashmet. Sat evening: Antoni Ros-Marba conducts Netherlands Chamber Orchestra in works by Beethoven and Mozart, with piano soloist Maria Joao Pires. Sun evening: Sinaiski conducts Netherlands Philharmonic in Tchaikovsky and Beethoven. Mon: Arditti Quartet (6718 345)

Muziektheater Tonight, tomorrow: Nederlands Dans Theater in Jiri Kylian's Kaguyahime. Thurs, Sun afternoon (in repertory till March 30): Glen Wilson conducts Pierre Audi's new production of Monteverdi's Ulisse, with Anthony Rolfe Johnson (6255 455)

■ BRUSSELS

Monnaie Tonight, tomorrow, Fri, Sat: Philippe Boesmans' new opera Reigen, libretto by Luc Bondy after Schnitzler. Directed by Bondy with a cast including Dale Duesing, Françoise Pollet and Solveig Kringelborn (219 6341). Tomorrow at Palais des Beaux Arts: Barbara Hendricks song recital (507 8200)

■ GENEVA

MUSIC

François Rochaix's new production of Poulenc's Dialogues des Carmelites, conducted by Michel Plasson, opens tonight at Grand Théâtre. Further performances March 12, 14, 16, 19, 21 (311 2311). Vladimir Spivakov directs Moscow Virtuosi on Sun afternoon at Victoria Hall (311 2511)

THEATRE

A new play by Monique Lachère about Catherine de Medici opens tonight at Théâtre de Carouge, daily except Mon till April 4 (343 4343). Robert Pinget's mystery play L'Inquisitoire runs daily till Sat at the Comédie (320 5001)

■ ROTTERDAM

De Doelen Tonight: Quartet Sine Nomine. Tomorrow: Rudolf Buchbinder plays Schubert piano music. Thurs, Fri: Valery Gergiev conducts Rotterdam Philharmonic in Prokofiev, Shnitke and Berlioz, with viola soloist Yuri Bashmet (413 2490)

■ THE HAGUE

Danstheater Tonight: Dutch National Ballet in choreographies by Balanchine, Ted Brandsen and Martha Graham. Thurs, Fri, Sat: Nederlands Dans Theater in Jiri Kylian's Kahuyagime. Next Tues: Opera Forum production of Bizet's Pearl Fishers (360 4930)

Dr Anton Philipszaal Thurs and Fri: Christopher Zimmermann conducts Hague Philharmonic Orchestra in works by Weber, Beethoven and Mendelssohn, with violin soloist Ida Haendel. Sun afternoon: Zimmermann conducts Brahms and Rakhmaninov, with piano soloist Arnaldo Cohen. Next Mon: Antoni Ros-Marba conducts Netherlands Chamber Orchestra, with Maria Joao Pires (360 9810)

■ VIENNA

OPERA

Staatsoper The main event this week is the premiere on Sun of Adolf Dresen's new production of Siegfried conducted by Christoph von Dohnanyi, with Siegfried Jerusalem and Hildegard Behrens (repeated March 18, 22, 28). Tomorrow: Die Zauberflöte . Fri: Fidelio with Gabriela Benackova. Sat: Der Rosenkavalier with Lucia Popp and Ann Murray. Next Mon: La traviata with Sona Ghazarian (51444 2955)

Kammeroper Tomorrow: final performance of Boris Pokrovsky's production of Shnitke's Life with an Idiot (513 6072). March 14-21 at Odeon: Impressions de Pelléas , Peter Brook's Debussy adaptation (586 1676)

CONCERTS

Musikverein Tonight: Tzimon Barto piano recital. Tomorrow: I Musici di Roma play Rossini, Boccherini and others. Sat and next Mon, also Sun morning: Isaac Karabtchevsky conducts Tonkünstler Orchestra in works by Hindemith, Bruckner and Brahms with violin soloist Sergei Stadler. Sun evening: Nikolaus Harnoncourt conducts Concentus Musicus Wien in a Haydn programme. March 20, 21: André Previn conducts Vienna Philharmonic (505 8190)

Konzerthaus Tonight: Alban Berg Quartet plays Lutoslawski and Ravel. Tomorrow: Kronos Quartet. Thurs and Fri: Bernd Weikl sings Winterreise. Sun morning: Rudolf Buchbinder plays Beethoven's Fifth Piano Concerto with Volksoper Orchestra. Sun evening: Bach's St John Passion. Next Mon: Petr Altrichter conducts Prague Symphony Orchestra (712 1211)

■ WASHINGTON

KENNEDY CENTER

Concert Hall Tonight: Jeffrey Tate conducts National Symphony Orchestra in works by Elgar, Mozart and Mendelssohn, with piano soloist Emanuel Ax. Tomorrow: Pinchas Zukerman violin recital. Thurs, Fri, Sat: Tate conducts Brahms, Schubert, Elgar and Wagner. Sun afternoon: Chicago Sinfonietta plays works by Ravel, Haydn and Ginastera. Mon: The Chieftains (202-467 4600)

Opera House Final performances of Washington Opera season are The Cunning Little Vixen tonight, Fri and Sun afternoon, and Turandot tomorrow and Sat. Next week: France Danse Festival (202-467 4600)

THEATRE

● Summer and Smoke: Tennessee Williams' poignant drama, set in pre-First War Mississippi. Opens Fri, till April 18 (Arena Fichandler's 202-488 3300)

● Antigone in New York: Janusz Glowacki's comic update of Sophocles. Till March 28 (Arena Old Vat 202-488 3300)

● Years of Pilgrimage: Doug Grissom's trilogy about black-white relations during the civil rights movement. Till March 28 (Source Theater 202-462 1073)

● Imagine Drowning: Terry Johnson's Gothic thriller, set in a seaside boarding house. Opens tomorrow, till April 11 (Studio Theater 202-332 3300)

● Uncle Vanya: Chekhov's powerful play directed by Christopher Henley for Washington Shakespeare Theater. Opens Fri, till April 10 (Gunston Arts Center 703-739 9886)

JAZZ/CABARET

Blues Alley Jazz Supperclub Tonight: singer Melissa Walker. Tomorrow till Sat: Angela Bofill. Next week: McCoy Tyner Trio (1073 Wisconsin Ave, in the alley, 202-337 4141)

■ ANTWERP

De Vlaamse Opera Tonight, Thurs, Sun afternoon, next Tues: Stefan Soltesz conducts Gilbert Deflo's new production of Falstaff, with John Del Carlo in title role (233 6685)

■ ZURICH

Opernhaus Tomorrow and Sun afternoon: Madama Butterfly with Yoko Watanabe and Francisco Araiza. Thurs and Sat: Il barbiere di Siviglia. Fri: Bernd Bienert's production of Nutcracker. Sun evening: ballet mixed bill. March 20: first night of new production of Massenet's Herodiade with Carreras and Bumbry (262 0909)

Tonhalle Tomorrow and Fri: Mariss Jansons conducts Tonhalle Orchestra in Mahler's Second Symphony, with Sylvia Greenberg and Sarah Walker. Thurs: Edmond de Stoutz conducts Zurich Chamber Orchestra in Mendelssohn, Stravinsky and Sibelius. Sun and Mon: Emerson String Quartet (261 1600)

Schauspielhaus Tonight, Fri, Sat, Sun afternoon: The Hostage, Brendan Behan's drama about an IRA safe house where a British soldier is held hostage. Tomorrow, Thurs: Goethe's Clavigo (221 2283)

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Super Channel: West of Moscow 1230.
Super Channel: Financial Times Reports 0630

WEDNESDAY
Super Channel: Financial Times Reports 2130

THURSDAY
Sky News: Financial Times Reports 2030; 0130

FRIDAY
Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530

SATURDAY
Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230

SUNDAY
Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

PERSONAL VIEW

The case for conservative economics

By Geoffrey Howe

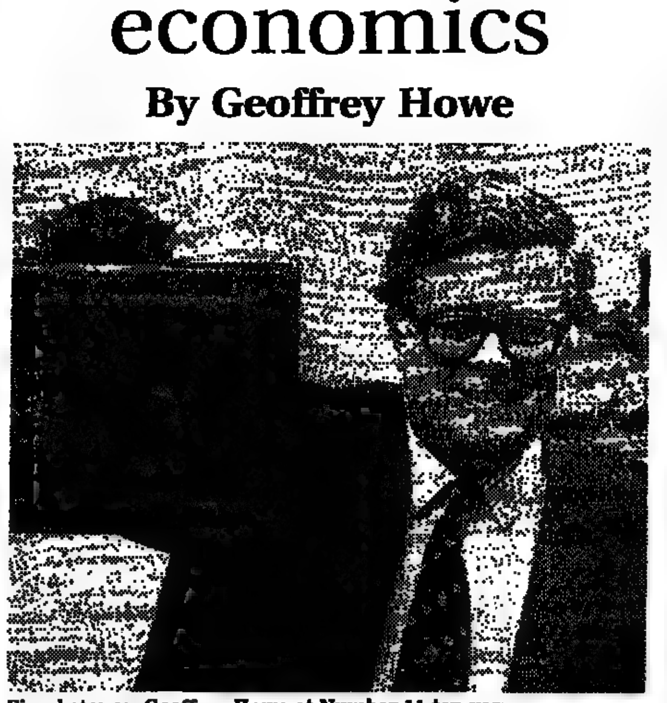
Norman Lamont will take his ritual stroll next Tuesday through St James's Park and hold his battered Gladstone box aloft on the steps of Number 11. Then, after telling the House of Commons that "the increases in duty I have just announced will take effect from 6pm today", the chancellor will have enacted a uniquely British ritual for the very last time.

For there will never again be a spring Budget. The political theatre of this year's Budget day – to be displaced by a combined Budget and Autumn Statement next November – offers a perfect opportunity for the British government to re-establish its credibility and authority in the financial sphere, by responding to a nation and to markets positively yearning for a clear sense of direction.

The last six months have been deeply unhappy ones for the cause of conservative economics in Britain. The country's ignominious retreat from the European exchange rate mechanism on September 16 marked yet another failure to establish a long-term framework of economic discipline, and laid Britain open to acute dangers of short-term pragmatism and wishful thinking so reminiscent of the pre-Thatcher past.

Since then, substantial monetary loosening caused by an unplanned devaluation of 20 per cent has been accompanied both by rapid interest rate cuts and by the ballooning of the budget deficit. The one-off opportunity to curb expenditure in the wake of an election victory has almost gone. Optimistic claims about British public-sector finances being hyper-cyclical have been thought to justify the emergence of a Reaganomics-style budget deficit – which the UK's exposed and trade-dependent economy is far less able to sustain than even the US.

People forget that Black Wednesday was not a liberation, but a warning of recurrent weaknesses and of the hazards which still face countries unable to establish monetary discipline as the basis of non-inflationary growth. Black Wednesday proved that our original Thatcher agenda of sound money, fiscal rectitude and supply-side reform had not bitten deep enough to consolidate the reversal of Britain's long-term decline. The tragedy is that this had not been secured by earlier entry into the ERM. Black Wednesday was a signal not for "rejoicing" but for renewing our attack on the underlying problems – still rising real earnings, public spending, persistent regulatory obstacles to growth – in a way that will produce enduring improvement.



Fiscal stance: Geoffrey Howe at Number 11 ten years ago

Consider the figures. The four "wise men" (of the chancellor's chosen seven) who commit themselves to medium-term projections predicate growth at an average of 2.5 per cent over the next four years. Only in the third year do they see the jobless total falling below 3m (no surprise there; but it is a warning against false prophets). They see inflation breaking through the government's 1 to 4 per cent ceiling in 1995, then rising higher still. They expect the PSBR to remain as high as 4.5 per cent of gross domestic product in 1996-97, even after assuming tax increases of £4bn to £8bn over the next two years.

By 1995, according to the Organisation for Economic Co-operation and Development, government debt will have returned to its 1979 level of 45 per cent of GDP, compared with only 39 per cent in 1990. Inescapably, we should find ourselves in the immediate run-up to the next election entering another stop-go cycle, with the government forced to slam on the brakes to contain both inflation and borrowing as a matter of urgency.

Since we at least have renewed success against inflation, we must consolidate that gain. Only *sustained* low inflation will offer a credible basis for growth, and only continuous attention to sound public finances, backed by a formal monetary framework, will allow that low inflation to be made permanent.

In response to these imperatives, the chancellor does need to raise taxes in the forthcoming Budget. First, because we have to start curbing the fiscal deficit now. Second, because market confidence is so low that only action can give credibility to any commitment to put public finances on a firmer footing. Third, because the prime minister could actually be right in claiming that Britain may lead the Community growth league in the year ahead. Even that expectation could be put at risk if the government was to delay the fiscal action that is already needed to avoid a fatal U-turn three years from now.

There is no insuperable difficulty in finding ways to reduce the gap. Start with the radical curbs on public spending or tax subsidies that have so far seemed too difficult: *phasing-out of mortgage interest* relief or of the lower retirement age for women, for example; or making a reality of the promise to mobilise private finance for infrastructure projects. Then, look for ways of reforming the tax system so as to generate substantial new revenues: broadening the VAT base – at a lower rate; higher green taxes; employees' national insurance contributions – a higher rate or higher up the income scale or both.

Spread sensibly, such actions can be rendered acceptable and presented positively. They could, and should, be coupled with measures directed mainly at the labour market, and designed to make as quick and as credible an impact on the dole queue as possible; one can suggest revived, refurbished or extended versions of the Community Programme, the Enterprise Allowance or the Business Expansion Scheme.

President Clinton has courageously blazed the trail of deficit reduction, to unexpected popular acclaim. A similarly hard-headed attempt by the British government to explain and address the real problems of our economy is more likely to reap political reward than playing to the gallery and hoping for the best. Displaying the courage of one's convictions worked before. It can work again.

The Maastricht miasma which Euro-phobes have imposed upon the Conservative party is sapping the will to face problems, to provide the leadership so urgently necessary. The greatest service the chancellor can perform for his country is to do what is right, not what is popular.

So far from "snuffing out" the incipient recovery, a Budget-based programme of the kind that I have suggested should complement the substantial monetary easing that has already occurred. Just as my 1981 Budget was able to do, it would offer the best prospect of sustained recovery over the longer term.

The coming Budget should be used to restore the centrality of conservative economics to the economic policy of the Conservative government. For so long as we are absent from the ERM, we have to summon up our own determined commitment to virtue.

Lord Howe of Aberavon was chancellor from 1979-83 and foreign secretary from 1983-89

Joe Rogaly

A touch of spring fever

Make-believe time is here again. Just imagine. Everything is about to come right for the British government. A grateful nation will shortly be singing the praises of Mr John Major, his cabinet, even his chancellor. It is a charming fancy. If you get drunk, stand on your head, shut your eyes and picture the fairies at the bottom of the garden you might wake up believing it.

The case for such a touching exercise of faith is deceptively strong. The political scenery is shifting. Winter is nearly over. Doom and gloom, those unwelcome guests whom the prime minister seeks to evict, always arrive with the cold and the dark. *They usually leave when* the days get longer and warmer. The recession is coming to an end; spirits will rise as the inevitable upswing begins. Sales of new houses and cars seem to be picking up. As we are frequently reminded by No 10 Downing Street, interest rates are at their lowest since the prime minister was a lad. The annual rate of inflation is comfortably under 2 per cent.

There is more. Wage-cost pressures are becoming insignificant. The CBI says that pay settlements have fallen to their lowest level for 13 years. The Institute of Directors says that half the chairmen and chief executives who answered its latest questionnaire confess to a feeling of optimism. The equivalent figure in the depths of winter was 38 per cent. On the stock exchange the Footsie index o'erleaps itself every other day, while brokers confidently predict a bull market in government bonds. The explanation may be foreign buyers, or leads given by Tokyo or the Dow, but the effect is the same.

That wonderful resurgent feeling is entering the nation's bloodstream, and it isn't only spring fever.

If past performance is any guide, the initial reaction to the forthcoming budget will be that the government is onto a winner. When Mr Norman Lamont sits down next Tuesday afternoon he may even be cheered by the benches behind him. This happens with most chancellors, in most years. Second thoughts come later. Mr Lamont is clearly aware of this. He is soliciting post-budget social engagements all over town. He must feel that he has something to sell. Himself? That is the cynic's answer.

A less narrow interpretation is that he is under orders to restore confidence. This sounds right. It *will, after all,* be Mr Major's budget. The official advice that goes to Mr Lamont also goes to the prime minister, who was the man in charge when Sir Terry Burns was made head of the Treasury. The present chancellor is allowed to make small decisions on his own. The fiscal stance, the thrust of the budget, is the prime minister's to determine. The pair of them know that the holders of their two offices sink or swim together. Mr Nigel Lawson jumped overboard, and soon afterwards Mrs Margaret Thatcher also went under. No Conservative minister has forgotten the lesson of those events. Mr Major is determined to be more of a hands-on manager of the economy than his predecessor; Mr Lamont is not in a position to demur.

It is at this point in the optimist's daydream that the bill to ratify the Maastricht treaty comes in to burst the bubble. It need not be so. We may brush aside the treaty's regular escapes from extinction in parliament. These have become a bore for all save the few dozen fanatics who glory beneath the banner of Euro-sceptic. Assume, as most ministers do, that sometime in the summer – near the end? – the bill is passed. *Over and done* with. Behind us. Printed, signed by the Queen, and forgotten. Combine that happy anticipation with the expected glad tidings on the economy and you are ready to accept that quite soon we will witness the miraculous rehabilitation of a government whose authority was drained away on Black Wednesday.

Mr Major aspires *to run a* traditional British-style elective dictatorship on the strength of a coalition

Reality is an awkward devil. It will insist on breaking into such fanciful meanderings. Reality tells us that the divisions in the Conservative party have become so bitter, so deep, that they will not heal, at least not quickly, even when the recovery is well under way and the Maastricht treaty has been ratified. For Mr Major is not merely saddled with a small majority. He aspires to run a traditional British-style elective dictatorship on the strength of a coalition of Conservatives and Sometimes-Conservatives. This would not be remarkable in Germany, the Netherlands, Belgium, Denmark or other continental democracies in which coalition-building is the norm. In Britain it is so extraordinary that nobody quite realises what is happening.

The strength of the Sometimes-Conservatives has to be gauged whenever an important proposal is put before the Commons. Their presence is such a threat to the government that other possible allies, such as the Ulster Unionists or even, *in extremis*, the Liberal Democrats, are kept sweet. This affects everything. Question: how much pressure should be put on the Unionists in Belfast in response to the Dublin government's recent peace overtures? Answer: it depends on what the government may need to ask of the Unionists in the Commons. Should the pension age be equalised for men and women? Not if it seems to have been demanded by the Europeans (although if Mr Peter Lilley, a known Euro-sceptic, is to make the announcement, perhaps the Sometimes-Conservatives will accept it). How many coal mines will be closed? Answer: how many S-C's will vote for whatever number is proffered?

There is another reason why the restoration of the government's fortunes is likely to be a long and painful process. People are aware that the end of the recession has been brought forward by the forced abandonment of a managed exchange rate – something that, a week before it happened, the prime minister and the chancellor told us would be the height of irresponsibility. To claim credit for the beneficial results of that failure is pretty cheeky. While unemployment remains so high, and the fear of it reaches into nearly every home, such a claim will sound hollow.

Voters can see that we have a weak government, led by a prime minister who is the prisoner, not the master, of his destiny. That was true in the darkest days of winter, and it will be just as true in bright midsummer. Never mind. Government matters less than you think. Most of us, most of the time, can manage very well without it.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Industrial comparison selective

From Mr Andrew Mitchell.

Sir, In criticising the "tub-thumping" of the manufacturing lobby, Tony Thomson of Bankers Trust Investment Management (Letters, March 5) offers a rather selective argument. To reassure us that things are not as bad as they seem, he compares the UK's manufacturing performance to that of other English-speaking countries, with France thrown in as the token "other".

Unfortunately, our anglophone friends share the UK's dismal record on manufacturing investment and boom-bust economic growth, as well as (no coincidence this) our *rentier* culture and an over-developed stock market. His accusation that British manufacturing industry was historically "over-manned and under-managed", also comes rich from a representative of the securities business.

Those in glass houses, Mr Thomson.

Andrew Mitchell,
56 Esmond Road,
London,
W4 1JF

Control culture can avert risks of derivatives trading

From Mr John Tattersall.

Sir, Sir David Walker's contribution to the debate on the regulation of derivatives ("Derivatives – a delicate balance", March 4) is most welcome. While the control of derivatives trading operations is rightfully a principal concern of the management of financial institutions and their regulators and supervisors, the size of the off-balance sheet commitments involved can easily lead to a distorted view of the real risks.

We would suggest one additional principle be added to Sir David's five principles of a viable approach to regulation of derivatives trading: namely, the development in financial institutions of a flexible and dynamic control culture.

While the specification of capital requirements for such institutions is important, it is only the exercise of effective control by management over derivatives traders which will ensure that serious problems are avoided. Such controls should include recruitment procedures which ensure that dealers are of the highest integrity; proper incentives for dealers to encourage them to achieve all of the corporate objectives, not just short-term profitability; and regular training. There should also be other forms of corporate communication to make sure that they know what those corporate goals are; competent independent checks on their trading strategies and valuations; and internal controls over the transactions. These must be backed up by a high quality of on-site management in the dealing room.

In our experience institutions which have successfully established an effective control culture are far less exposed to many of the potential problems in derivatives trading.

John Tattersall,
head of business controls assessment practice,
Coopers & Lybrand,
Plumtree Court,
London EC4V 4HT

Shopping for a better relationship

From Ms Catherine Griffiths.

Sir, "One-stop shops" make good sense and could provide a welcome simplification of the current plethora of government initiatives, if as David Grayson writes (Personal View, March 1), "the opportunity of the century" is not wasted. Small and medium-sized businesses (SMEs) do not need another signposting office giving directions to other government departments. They need one centre that can provide solid, reliable and practical advice about a range of business, financial and technological issues, as well as access to expertise both within government and the private sector. Modelling one-stop shops on the existing, effective citizens advice bureau network would provide a means of achieving this.

Given that some banks also find this "corporate advice bureau" idea attractive, the one-stop shops might then achieve even stronger long-term relationships between banks and SMEs.

Catherine Griffiths,
research fellow,
Kobler Unit,
Imperial College, London SW7

Game's up

From Mr Christopher Joubert.

Your economics correspondent is incorrect ("'Wise man' attacks wisdom of fellow economists", March 6) in his judgment that "the authority of the government's new panel of economic advisers ... has been thrown into doubt ... by Professor Tim Congdon".

It was thrown into doubt in the first place by the appointment of two ultra-monetarists to the panel. The Treasury cannot be pleased now that Mr Congdon, displaying a political touch equal to his grasp of economics, has given the game away.

Christopher Joubert,
48 Haydon Park Road,
Wimbledon, London SW19 8JY

Tax relief plea for head offices

From Mr D J Murby.

Sir, It is quite proper for multinational companies to review their HQ operations to determine:

● whether the cost is really necessary and adds value;
● whether the function should be delegated to an operating entity.

However, if at the conclusion of the review the function and expenditure are retained at the centre, in what jurisdiction does the multinational company obtain a tax deduction for the expense?

In his interesting article, ("The myth of the bloated head office", March 5) Christopher Lorenz does not mention that most multinational companies have difficulty in obtaining a tax deduction for centrally incurred costs which benefit not only the parent company but also many of the operating subsidiaries. Failure to obtain a tax deduction for the expense considerably increases the net costs of an HQ function. A gross-up factor of only 33 per cent, using the UK corporate tax rate which is lower than most, is not an inconsiderable added cost!

It is high time that Revenue authorities recognised that a cost incurred on revenue account ought to be deductible somewhere.

D J Murby,
1 Surrey Street,
London WC2R 2PS

In charming company

From Chris Jones.

Sir, I can't see how Brian McNamara (Letters, March 2) can possibly object to the FT calling Brian Mulroney an "Irish charmer". A stereotype it may be, but the example of other Irish politicians from around the world – Ulster's Ian Paisley, Australia's Paul Keating, the late Robert "Piggy" Muldoon of New Zealand – surely testify to its validity.

Chris Jones,
58 Orange Street,
St Albans, Hertfordshire

Treatment of contaminated land needs a planned approach

From Mr Michael J Chambers.

Sir, Your leader (Polluted land, March 4) accurately summed up the current debate on contaminated land but may have given a misleading impression of the position of the Royal Institution of Chartered Surveyors. The RICS has not, as you suggest, argued that the seller of a property should be responsible for demonstrating that the land under offer is free from contamination. That approach has been tried in parts of the US and found wanting.

Our proposal is for a planning-based approach to contamination. We want to see a land quality statement, based on a site investigation, become an integral part of a planning application. This would mean that any contamination present on a site would be identified – and could then be dealt with – whenever significant development or a change of use took place.

We accept the point you make that this is not the entire solution to the problem of contamination. But there is no one solution. A range of measures is needed. There is already a mass of legislation on the statute book to combat contamination that poses a threat to public health. That needs to be used more often. There is also a need for greater assistance from government to help with the very high costs of treating the worst cases of pollution.

We have sympathy with your suggestion of pressing councils to identify land that is badly contaminated. The problem is that such an approach can only work if local authorities have the resources to carry out any site investigations that may be necessary and there is a mechanism in place for rehabilitating sites where serious contamination is found.

One thing is clear whatever the government announces. The whole of the property world, as well as business, lenders, insurers and others, now accepts that contamination of land is an issue which is not going to go away.

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FINANCIAL TIMES
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A system on trial

ONE CLEAR lesson has so far emerged from the contagion of corruption currently being exposed in Italy: the disease in the country's body politic runs so deep that none of the physicians in attendance can offer a satisfactory course of treatment, let alone a viable cure. Not the magistracy, which has been busily accusing and incarcerating politicians, officials and businessmen in recent weeks. Not the parliament, more and more of whose members are being caught in the net. And certainly not the government of Mr Giuliano Amato, which last Friday proposed a "political solution" to the crisis, only to be accused all round of seeking to protect the guilty from justice.

The affair has brought the Italian ruling class into disrepute, the government to the brink of collapse, and the country's public works to a virtual standstill. But it would be hard to pretend that anything resembling justice is yet being done. Many of the accused are being held in jail without charge, and the allegations against them are being treated as a presumption of guilt.

Moreover, there is no chance of any of them being brought speedily to trial. Italy's judicial system is notoriously slow and inefficient: cases regularly take six to 10 years to grind through the courts. Endless litigation will scarcely hasten the reform and strengthening of Italian politics and society: instead there is a danger that the country's political establishment will be decapitated and its institutions paralysed at a time of maximum public ferment.

In view of this, it is understandable that the politicians have been fumbling for a "political solution". The plan adopted by Mr Amato's cabinet last Friday would retroactively change the law on party financing, nexus of most of the corruption scandals, turning the payment of illicit contributions to party coffers from a crime punishable by prison to a mere misdemeanour, with fines and other civil penalties attached. The result – just as predictably – was uproar among opposition parties, magistrates and public.

The cabinet's measures were not entirely without merit. It is clear, for example, that the authorities will have to draw some form of distinction between criminal and merely illicit forms of graft if they are to avoid filling Italy's prisons to bursting point. Yet attempting at this point to tamper with the judicial system was an act of astonishing political insensitivity on the government's part: the public is behind the magistracy and in no mood to see politicians letting each other off.

Italians sense that they are witnessing an indictment of the whole way their country has run its affairs for decades. The judiciary – not the politicians – should respond by taking corruption prosecutions out of the existing, overtaxed court system and creating a special legal structure under respected judges to expedite them. This the politicians should agree to fund. Meanwhile, the latter, for their part, should inject greater urgency into their deliberations on electoral reform, the subject of a referendum on April 18, with a view to holding early elections shortly thereafter. Only then can a new parliament and a more legitimate government set about agreeing the constitutional reforms that Italy so badly needs.

Rail in London

HAS RECESSION taken the pressure off central London's creaking public transport system? Try asking commuters on the Central Line, London Underground's main east-west link across the capital. Even at today's reduced passenger levels, peak-hour loadings are 45 per cent above the levels for which the line was designed. Yet the Treasury is now questioning the need for the planned £2bn CrossRail scheme, a new east-west rail line due to open around the turn of the century.

CrossRail would bring big benefits to central London. By providing a link between British Rail's Liverpool Street and Paddington stations, it would enable suburban trains to run straight through central London stopping at stations in the West End and the City on the way. Many commuters could then reach their destinations without changing to the Underground, so saving time and reducing pressure on the Central Line.

Questioning such a project looks perverse at a time when London Underground is poised to embark on a £1.8bn extension of the Jubilee Line to the Docklands development area. Like CrossRail, the Jubilee Line extension was approved before recession set in. At the time, cost/benefit analyses of the two projects yielded similar results. Since then, the outlook for employment growth in Docklands (and hence, demand for transport) has deteriorated much more than it has in central London. Yet it is the financially stronger case for CrossRail that has now come under Treasury scrutiny.

There is an argument for pressing ahead with the Jubilee Line extension for the regenerative effect it would have on Docklands, but certainly not if it is at the expense of providing central London with an acceptable transport system. While money is being ploughed into transport for Docklands – £1.8bn for the Jubilee Line, £1.65bn for roads and £800m for an expansion of the Docklands Light Railway – central London has seen the £750m-a-year capital spending budget for its transport system cut by a third, and CrossRail is now the only significant transport project on the horizon.

Docklands is not the only part of London that needs good transport: central London needs it, too. If the government cannot see this, it can only be because it regards one of the capital's withered extremities as more important than its overall economic health.

Coal mountains

THE CURRENT "solution" to the pit crisis being discussed in British government circles would involve paying miners to produce coal nobody wants and then stockpiling it. The only merit in this suggestion – with its echoes of European Community wine lakes and butter mountains – is that it might bring home the absurdity of further rigging the energy sector.

When the government announced 31 pit closures last October, there was an outcry led by a number of backbench Tory MPs. Many were attached to the idea that, if only British Coal was given more time to cut costs, the threatened pits could have a viable long-term future. But, as the months have passed, it has become clear that few, if any, can be made viable without imposing huge costs on the economy.

There may be a case for producing an extra 40m or so tonnes of coal over five years, which could save about six pits – though strike threats undermine the case by making coal supplies seem more insecure. If the price of coal were reduced to world market levels by subsidies, at a cost of perhaps £300m over the period, the electricity generators would buy the extra coal instead of imported coal. The hope is that productivity could then be improved and a subsidy would not be needed.

The snag with keeping open any more of the threatened pits is that the coal has no guaranteed market. Hence the stockpiling idea, which could save another five pits, the minimum number the government thinks necessary to win over backbench dissidents.

But the marginal cost of saving an extra five pits would be huge. Not only would the coal have to be subsidised, but the generators might have to be paid to keep their capital tied up in coal mountains. On top of these visible costs, there would be invisible ones. The power duopoly is understood to want immunity from reference to the Monopolies and Mergers Commission as a *quid pro quo*. Furthermore, building coal mountains would complicate privatisation of British Coal and so postpone the best chance to improve its productivity. Who would want to buy coal buried underground when so much was already on the surface?

Such drawbacks may lead the government to re-examine other options for expanding British Coal's market. These include restricting output from gas-fired power stations, postponing competition in the electricity market, closing nuclear stations and stopping imports of French electricity. But the cost of such rigging would be written-off investments and higher electricity bills. Moreover, it would not even secure the long-term viability of the industry unless the distortions were to continue indefinitely.

The least bad way forward would be for the government to acknowledge that no more coal should be produced than the market is willing to buy. If it feels the need to sweeten such a pill for political purposes, it could improve the already generous redundancy terms or put more money into job creation in mining communities. So far more than 7,000 miners have volunteered to leave on the current terms which provide average lump sums of £28,000. Even if the terms were improved substantially, this would still be cheaper than stockpiling coal nobody wants.

Footloose across Europe's frontiers

Recession and the single market are prompting industry to reorganise and relocate, writes Tony Jackson

A US maker of vacuum cleaners moves production from Dijon to Glasgow. A Swiss chocolate maker does the reverse. A US computer giant shuts a plant in Galway. Another builds one in Barcelona. The industrial map of Europe is being redrawn, some say for the next 30 years. Political passions run high and nations abuse each other. But who is actually winning?

There are different pressures at work. The most obvious is the European recession, the worst for a decade. Others have nothing to do with the economic cycle. The single market is forcing companies to rationalise production. The opening of eastern Europe offers cheap labour and makes Germany more central than before. The continuing shift in working methods sets a premium on skilled and flexible workers.

Mr David Rees, a location specialist with Ernst & Young, the accountancy firm, says: "Ten years ago, the key factor for a manufacturing plant was the size of the national market. Now it's a question of the European market, or at least the northern or southern European market. Previously, companies might make products in three countries to cater for national standards and tastes. Now, the point is that economies of scale can actually be achieved."

Service functions are being rationalised as well. "Companies are increasingly looking to putting things like customer care in one centre for Europe. One US white goods manufacturer is doing that right now. Another US company has its accounting function in seven countries and is putting it into one," says Mr Rees.

And manufacturing techniques are changing. Mr Jonathan Wilmot, an economist with Credit Suisse First Boston, says: "The reason the issue gets so emotive is that, if you look at new technologies such as lean production, the whole spirit is based on continuous innovation, in which managers use the workforce as part of the process on the Japanese model. If people are prepared to do whatever job comes, that makes a huge difference on the location decision."

These various pressures can work in opposing directions. The point can be simply illustrated in the case of the UK. Hoover's decision to close its Dijon plant and put all its production of vacuum cleaners in Scotland caused uproar in France last month. And the Hoover case is far from unique.

Bowater, the UK-based packaging group, recently shifted production of some of its cosmetic packaging to the UK from France and Italy. The company has calculated national ratios for average employment costs at its plants, from managing director down to apprentice. If the UK is 100, says Mr Michael Hartnall, Bowater's finance director, Italy is 130, France 140 and Germany 170.

IMI, the Birmingham-based engineering company, last year switched production of drinks dispensing machines from Germany to the UK. Mr Gary Allen, managing director, says: "Even before sterling devalued, the UK was a very good place to invest relative to continental Europe. It has a very co-operative and flexible workforce. While we have to consult, we can make changes based on management decisions much faster than elsewhere. The social costs are significantly lower in the UK as well."

But there are pressures the other way. Mr Rees says: "Our strengths are the English language, very good telecommunications and air communications. But the problem is the UK's image as a poor European. I can think of six or eight companies now headquartered in the UK which are moving out, and that's one of the reasons. I think it's doing us a serious amount of harm."

This might seem at odds with the fact that the UK has taken the lion's share of inward investment into Europe in recent years, whether from Japanese carmakers or US computer companies. But that, says Mr Rees, might now prove a handicap.

"In the case of Japan, there is a sense of gentle political pressure from Miti [the Ministry of International Trade and Industry] on Japanese companies not to favour Britain as much as in the past. In terms of Japanese-EC relations, that also follows from the image of the UK as a poor European. And while the UK has the advantage of language for a first location, there is often a tendency to be a bit bolder the next time."

Similar conflicting pressures can be seen in the case of Germany. Mr David Barnes, chief executive of Zeneca, the drugs and agrochemicals company about to be floated off from ICI, lists some drawbacks.

"If you're looking at building a new plant, the time taken for planning approval matters a lot. The Germans have got terribly bureaucratic, and that could start to work against them. You want a system which gives you a yes or no fairly fast. And I wouldn't put any product into German manufacture now involving any kind of genetic engineering. Hoechst has had an insulin plant ready for five years, and hasn't been allowed to operate it because of delays and appeals from the green movement."

Some German companies, at least, see it slightly differently. Mr Volker Jung, a director of electronics group Siemens, says: "Even though it will be more and more difficult to manufacture in Germany, I have to admit it has many advantages. The labour force is experienced, Germany is central to Europe, and there are many products where automation is so far advanced that labour is not an important issue any more."

One country that is emerging as a winner is France, partly because of increased efforts by the French authorities to attract inward investment. Mr Rees of Ernst & Young says: "I believe France ought to be doing best, even if the noise they're making over Hoover may not help. France is dearer than Spain, but it's towards the lower end of the range. And it's a big country, with lots of good sites."

This seems borne out by the statistics. The Organisation for Economic Co-operation and Development has just published figures for inward investment in the first half of 1992. While investment in the UK fell almost 30 per cent from the year before and in Germany rose by just 7 per cent, in France it rose 31 per cent. For the first time, says the OECD, foreign direct investment in France is bigger than French investment abroad.

But in one sense, generalising about countries is to miss the point. For many industries, the choice on location is not to do with nations but with regions within them. Mr Wilfried Vossen of Plant Location International, a Brussels-based consultant, says: "There is more difference between French regions like the Ile de France and Lorraine, or between Dutch regions like North Holland and Amsterdam, than there is between Amsterdam and the Ile de France."

The point is borne out by Mr Hartnall of Bowater. When the company switched production to the UK, he says, "we did it from the north of Italy and the Paris area to Portsmouth, which is cheap. If it had been the south of Italy instead of the north, or the M4 corridor instead of Portsmouth, it might have been different."

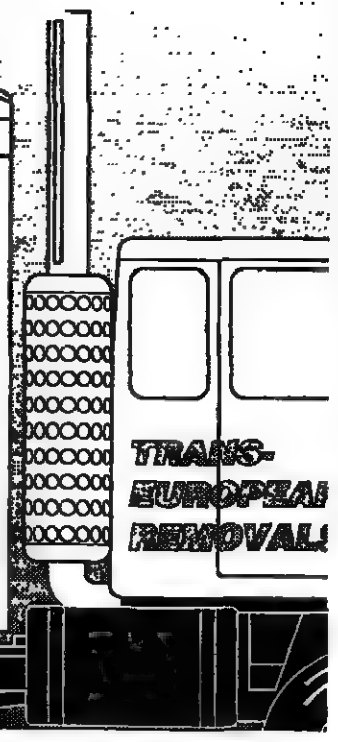
And as Mr Jung of Siemens remarks, a lot of purchasing decisions are political. "Don't forget that all politics are local politics. Politicians will always find a way not to buy non-local products. For a guy seeking election in northern Spain, Hamburg is outside, whatever the EC says."

But if there are factors working against rationalisation within Europe, there are wider issues which go beyond Europe altogether. "Bear in mind," says Mr Allen of IMI, "that we're up against Japanese competition. The overlay to all this is whether we should be making things in the Far East or the US."

Mr Jung puts the point more strongly. "The real question for me is where production will be 10 years from now in world terms. The answer is east Asia, especially greater China – Hong Kong, Taiwan and mainland China. There you have the market plus low labour costs. Growth there will be much greater than in Europe, in terms not just of production but of product development."

But there will be enough upheaval in Europe to be getting on with. As Mr Wilmot of Credit Suisse First Boston puts it: "The single market story is overlapping with the changing work methods story. The point is that no one knows what the end result will look like. That's political dynamite."

Investment on the move



Direct investment flows in EC

$ million	1989	1990	1991	1991 Jan-Jun	1992 Jan-Jun
Belgium/Luxembourg	6,731	8,162	-	-	-
Denmark	1,084	1,207	1,459	547	669
France	9,552	9,231	11,109	5,849	7,660
Germany	6,997	2,313	2,200	1,474	1,573
Greece	752	1,005	-	-	-
Ireland	85	99	-	-	-
Italy	2,529	6,316	2,542	1,226	1,727
Netherlands	6,772	8,234	3,700	1,069	2,977
Portugal	1,740	2,133	2,022	-	-
Spain	8,433	13,681	11,100	4,198	3,775
UK	28,043	33,804	21,100	13,696	9,694

Source: OECD

Quentin Peel on the message of protest from voters in the German state of Hesse

Snub to the establishment

Mr Björn Engholm, the pipe-smoking intellectual who heads Germany's opposition Social Democrats, is prone at the best of times to more than a touch of pessimism.

Yesterday he had good reason to be miserable.

His party, which should be riding high in popular esteem, as the ruling coalition, headed by Chancellor Helmut Kohl's Christian Democrats, totters into a deepening economic recession, had just received a terrible snub from the voters of the prosperous west German state of Hesse.

And it looked as if the prime beneficiaries were the far-right, racist Republicans, a party of neo-Nazi inclinations which has so far remained just on the right side of the law.

In local elections for all the city, town and local authorities of the state, including the gleaming business and banking centre of Frankfurt, the SPD suffered an 8.4 per cent slump in its vote, down from 44.8 to 36.4 per cent since the last local poll in 1989.

Mr Kohl's Christian Democrats did little better: from a disastrous low of 34.3 per cent back in 1989, the party lost a further 2.3 per cent.

As for the Free Democrats, the junior partner in the Bonn government, they only managed a paltry 5.1 per cent of the votes.

It was a resounding snub for the entire political establishment in Bonn. And yesterday it unleashed a predictable round of soul-searching and bickering in the capital.

The winners were all on the extremes: not merely the far-right Republicans; also the left-wing, environmentalist Greens; and the biggest party of all, the non-voters.

The Republicans, who only stood in two small council districts at the last elections in 1989, managed to grab 8.3 per cent of the poll overall. In Frankfurt city, with the largest immigrant population in the country (roughly 26 per cent), they won 9.5 per cent of the votes, and in one of the most depressed inner-city areas, no less than 14 per cent.

As for the Greens, the minority partner in the Hesse government with the SPD, they also benefited significantly from the mood of disillusionment with the political establishment, pushing up their share of the vote from 9.1 to 11 per cent.

The turnout was down by 6.7 per cent, from 78 to 71.3 per cent: a result which would have delighted local election officials in other European countries, but which is regarded with gloom in Germany.

The same mood of despair has been true across the political spectrum of political comment, with the notable exception of the unflappable Chancellor Kohl.

Mr Engholm was in little doubt about the meaning of the vote: "This result is an expression of a deep crisis of confidence towards the two great popular parties," he said, referring to his own SPD and Mr Kohl's CDU. "We must ask what future, and in what circumstances, the two big parties will have."

He even went so far as to express concern – "not a little concern, but great concern" – over the stability of the German democratic state.

Across the road at the CDU headquarters, the chancellor was more sanguine. He reminded his audience that they had all cried doom in 1989, and yet he had come back to win the unification election in 1990. And he restated his absolute conviction that the far-right Republicans will not win a single seat in the German Bundestag when it comes to the national elections next year.

Given the international reaction of horror to the slightest hint of a revival of nationalism and neo-Nazism, as well as the domestic soul-searching, how can Mr Kohl be so cool?

He may be wrong, but there are indications that the right-wing revival has peaked. In neighbouring Baden-Württemberg last April, the Republicans shocked the establishment by polling no less than 10.9 per cent across the state.

They might have been expected to do even better in Frankfurt with its high immigrant population. The National-Democratic party (NPD), the Republicans' predecessor as standard-bearer of the far right, already polled 6.6 per cent in Frankfurt in 1989, before the latest wave of immigration was under way. Today the NPD has faded to an insignificant rump. The Republicans themselves have seen their support drop sharply in the past three months, as tens of thousands of Germans have demonstrated against attacks on foreigners.

The fear of the political establishment with regard to the Republicans, headed by Mr Franz Schönhuber, a former SS officer, is that they may succeed in making themselves *salonfähig* or, roughly translated, "house-trained". Then it may become acceptable for more disgruntled electors to vote for them.

In the meantime, however, they are a symptom of protest against the creaking consensus politics of Bonn, against rising unemployment, the inadequacy of housing, and the pressures of immigration on west Germany's prosperous lifestyle. They are not yet a coherent political movement.

OBSERVER

Publish and be wary

■ No translator would presumably dare tone down the attack on Maastricht made by former Bundesbank board member Wilhelm Nölling in the text of his book just out in Germany. But it looks as though Macmillan will bowdlerise the title when it publishes the English version.

In German the combative tome is called Unser Geld (Our Money), and subtitled "The struggle for currency stability in Europe". In it Nölling lambasts politicians for cobbling together a fundamentally flawed treaty, claiming that the injection of a single currency will infect Europe with instability.

Best leave European monetary policy to the Bundesbank, he suggests, adding that Germany should keep the D-Mark.

Nölling, a member of the Social Democrat party, made a name for himself as one of the most fiery members of the Bundesbank's council. After fiercely criticising Chancellor Kohl's policies on monetary unification with eastern Germany and over the Maastricht treaty, he left at the end of last year to pursue academic and publishing interests.

So why is Macmillan wet-blanketing Nölling's exposé under the yawn-inducing title "Monetary policy in Europe after Maastricht"? "We don't talk about money in quite the same way here," sniffs editor Belinda Holdsworth. Her rivals at Heinemann have no such qualms. When the FT's David Marsh penned his Bundesbank tome, he had to tone down Heinemann's suggested title – from "The Bank that rules the world", to "The Bank that rules Europe".

Goodnight

■ Today's soups on the board at a Southwark coffee shop: "1. Home-made broccoli and veg. 2. Home-made fresh chopped mushroom with assorted veg. 3. Lentil and veg. 4. Irene burnt it – sorry people."

Honour-bound

■ There is one bit of good news for the government amid the continuing economic gloom, the problems with the coal industry and the setbacks over ratifying the Maastricht treaty. The prime minister's brainwave of turning the honours system into a DIY venture seems to be a roaring success with the punters.

Only four days after the announcement and over 1,000 requests for application forms have been received. This has resulted in a 20 per cent increase in the team vetting the applications.

But although throwing open the honours system to all-comers may seem a brilliant political ploy by a prime minister with the common touch, it is bound to lead to widespread disappointment since the number of honours available is likely to remain the same despite the increased demand.

Fortunately for the government, the let-down will not happen until the 1994 new year honours list, by which time it may be offset by the arrival of economic recovery.

'In my day we had to make our own violence'

Classless society

■ Meanwhile, at least the great British public will not need to volunteer recipients for the Military Medal since its demise is imminent. Not exactly popular at the time it was introduced, the honour awarded to "other ranks" for conspicuous bravery is hardly likely to be mourned now.

In his book Old Soldiers Never Die published in 1933, Frank Richards, a British soldier who fought throughout the first world war, wrote about the class divisions which existed even in battle:

"In the spring of 1916 another decoration was introduced, called the Military Medal. There were no grants or allowances with the Military Medal, which without a shadow of a doubt had been introduced to save awarding too many Distinguished Conduct Medals. With the DCM went a money-grant of £20, and a man in receipt of a life pension who had won the DCM was entitled to an extra sixpence a day on his pension. After the new decoration was introduced, for every DCM awarded there were 50 MMs. The old regular soldiers thought very little of the new decoration."

In the family

■ Whatever else the indebted First National Finance Corporation may lack, it is not short of bankers on its board of directors. Martin Mays-Smith, who took over as chairman a year ago, is an ex-Kleinwort Benson man, Tim Ingram, the new finance director, is a career banker, and three of FNFC's four non-executive directors are bankers.

Indeed, whenever there is a vacancy on its board, FNFC's knee-jerk reaction seems to be to add another banker. George Cracknell, 59, deputy managing director of Barclays' banking division, is the latest recruit.

He takes over from Roy Vine, a former vice chairman of Barclays Bank UK, who had been a FNFC director for 11 years. Vine was the man who conducted the post mortem on what went wrong with Barclays' lending in the previous recession. Will Cracknell get the job this time?

Deaf ear

■ Still on the subject of Barclays. Guess who was its chief economic adviser during the period when it was piling on the property loans which are now causing so much anguish?

Professor Alan Budd, the chief economic adviser to the Treasury and head of the government economic service, since September 1991.

Man overboard

■ And who was the joker in charge of the chancellor of the exchequer's timetable when it was decided that next week's Budget day should coincide with The Royal National Lifeboat Institution's "lifeboat day"?

FINANCIAL TIMES
Tuesday March 9 1993

Jobs cuts in prospect as leading companies expect demand to stay weak

Japan's business confidence falls

By Charles Leadbeater in Tokyo

JAPANESE business confidence suffered a further sharp fall between November and February, raising the prospect of sharp cuts in employment in the next few months.

The so-called *tankan* quarterly survey of 688 leading companies, published yesterday by the Bank of Japan, suggests manufacturers will have to cut costs further in the next few months, while non-manufacturers and small businesses are becoming increasingly pessimistic.

The survey, which measures the balance of companies reporting conditions as favourable minus those reporting conditions as unfavourable, is regarded as the most authoritative assessment of the short-term outlook for the Japanese economy.

Manufacturing companies' assessment of business conditions stood at minus 49 per cent, 6 points down from the November survey. Among non-manufacturers, the index stood at minus 33 per cent, a 6 percentage point fall from the earlier survey.

Despite deep cuts in production, manufacturers have not made much headway in reducing their inventories of unsold products. About 38 per cent of manufacturers reported they had excessive inventories, about the same level as August and November last year.

Demand is expected to remain very weak, with 51 per cent of manufacturers reporting excess supply of products and 23 per cent reporting excess production capacity, up by 2 percentage points from November.

Most companies said they expected a moderate rise in domestic and export sales in the financial year from this April. However, the survey was conducted before the recent surge in the value of the yen, which is likely to depress export sales.

About 19 per cent of manufacturers said they had excess labour, up from 13 per cent in November, which suggests there will be further job cuts in the next few months.

Mr Jim Vestal, Tokyo chief economist at Barclays de Zoete Wedd, the stockbroker, said these cuts could further depress the economy. "Further cuts in employment will depress consumption as people will save more as a precautionary measure," he said.

Companies expect to cut investment by 4.2 per cent next year, with cuts of 9.9 per cent in manufacturing and 4.1 per cent in service industries. Mr Robert Feldman, Tokyo economist at Salomon Brothers, the stockbrokers, said the forecast cuts were shallower than expected.

Profits may recover marginally in the next financial year, ending a three-year decline, with manufacturers forecasting a 4.4 per cent rise in profits and non-manufacturers a 1 per cent improvement.

World stocks, Back page
Section II

Call rate hint boosts NTT shares

Nippon Telegraph and Telephone (NTT) saw its share price surge by more than 10 per cent yesterday after a Posts and Telecommunications official suggested the group may be allowed to increase rates charged for calls from public telephones. The comments added to recent interest which has lifted NTT shares by 28.5 per cent in eight trading days. The issue has been actively pursued after NTT said it would propose call charge increases. Yesterday they closed Y75,000 higher at Y780,000 ($6,446). Page 4

Sniper fire from Serb gunmen forces people to run for cover in Sarajevo. Shots were hitting the wall as shoppers and workers dashed past

Corruption debate for Italian cabinet

By Robert Graham in Rome

THE Amato government will today decide whether to submit to parliament controversial legislation on illicit funding of Italian political parties or to adopt a new approach to dealing with the issue of corruption.

Prime minister Giuliano Amato also has to persuade Mr Carlo Ripa de Meana to reconsider his weekend decision to resign as environment minister, or find a replacement at a time when the four-party coalition is increasingly fractious.

"The government tried to carry out something which has wounded the commonsense of Italians," Mr Ripa de Meana said yesterday, explaining his resignation. "I don't see how this government can continue."

The government's increased weakness follows near-universal hostility to a decree approved on Friday which depenalises illicit funding of political parties and removes party finances from magistrates' jurisdiction, except in cases of extortion. President Oscar Luigi Scalfaro refused to sign the decree on Sunday.

His move was made on constitutional grounds, but he implicitly invited the prime minister to reconsider the legislation, or at least his legislative approach.

Mr Scalfaro said clear conflict existed between the decree, which had to be endorsed or rejected in its entirety within 60 days, and a referendum on April 18 which is due to consider the abolition of political parties' public funding.

Mr Amato can opt to leave the text of the decree intact and submit it to parliament. In this way parliament would be free to alter its provisions and achieve the compromise originally intended – to balance the need to speed the judicial process of those involved in corruption proceedings with perhaps a form of limited amnesty, while paying deference to the independence of the judiciary.

But with some 50 parliamentarians under investigation, and the main parties clearly implicated in an institutionalised system of corruption, opposition deputies yesterday doubted that the present legislature had the legitimacy to act. The mood of parliament will become clearer today after a general debate on corruption.

A decision is also due to be taken on whether to waive immunity for Mr Bettino Craxi, former Socialist leader, to face charges of alleged corruption and extortion.

Milan magistrates investigating corruption yesterday welcomed Mr Scalfaro's action refusal to sign the decree.

Spain threat to trade treaty

Continued from Page 1

unhappy with the deal on Switzerland's contribution to cohesion funds because it risks *encouraging Mediterranean countries* led by Spain to bargain harder for Nordic concessions in the enlargement negotiations.

A senior Efta diplomat added it might be difficult to justify the increased payments to voters in the Nordic countries who are already sceptical about the benefits of EC membership.

The new agreement provides that interest rate rebates provided by the six Efta members will be reduced from 3 per cent to 2 per cent.

The EEA deal covering farm products is due to enter into force on April 15 and will not be dependent on ratification of the new EEA protocol.

British government defeated over Maastricht amendment

By Ivo Dawnay, Political Correspondent

THE UK government last night suffered a humiliating 22-vote defeat in its bid to speed through the Maastricht ratification process, just two days after the prime minister, Mr John Major, had appealed directly to rebels in the ruling Conservative party to fall into line.

The vote by 314 to 292 in favour of an amendment put forward by the opposition Labour party – the government's first defeat for three years – means the Maastricht bill must now go to the so-called report stage, a procedure which could add a month or more to the ratification process.

While the defeat centres on a minor amendment on the European Committee on the Regions *that will not prevent UK ratification* of the treaty, it represents a serious rebuff for Mr Major and senior cabinet ministers in their efforts to strong arm and cajole the rebels back into the fold.

Some 26 Tories defied party whips and voted with the Labour party giving an outcome that provoked a roar of delight and victory salutes from Labour MPs, who greeted their victory as another critical blow to the authority of the government.

Party officials claimed it would give the Labour party a further opportunity later this spring to press home its demand for British inclusion in the social chapter, though this will depend on the ruling of the deputy speaker.

Mr Douglas Hurd, UK foreign secretary, said: "a treaty delayed is better than a treaty lost". He said that the prime minister remained determined to get the treaty ratified by the end of the parliamentary session, adding: "It does not change the treaty or our policy to ratify the treaty."

It represents a serious setback for the government after a day in which its business managers were locked in talks on tactics before launching a last-minute charm offensive in the Commons.

Talks with Liberal Democratic party came to nothing, though efforts to persuade seven members of the Scottish and Welsh nationalist parties to back the government were successful.

World Weather

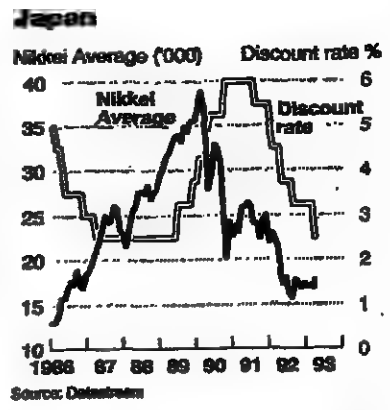
		°C	°F
Ajaccio	S	10	50
Algiers	S	19	66
Amsterdam	S	9	48
Athens	C	8	46
Bahrain	S	28	82
Bangkok	F	0	0
Barcelona	S	15	59
Beijing	F	9	48
Beirut	T	10	50
Belfast	C	[illegible]	48
Belgrade	Sn	-2	28
Berlin	C	2	36
Bermuda	F	20	68
Bombay	S	36	97
Bordeaux	S	13	55
Boulogne	S	10	50
Brussels	S	8	46
Budapest	S	5	41
Buenos Aires		–	–
Cairo	S	19	66
Cape Town	S	26	79
Caracas		–	–
Casablanca †	C	17	63
Chicago †	C	2	36
Cologne	S	6	43
Copenhagen	C	2	36
Corfu	S	10	50
Dallas †	[illegible]	8	46
Dublin	C	8	46
Dubrovnik	S	9	48
Edinburgh	S	10	50
Faro	S	16	61
Florence	F	7	45
Frankfurt	S	5	41
Geneva	S	5	41
Gibraltar	S	18	64
Glasgow	C	10	50
Helsinki	C	-2	28
Hong Kong	F	19	66
Innsbruck	F	1	34
Inverness	C	10	50
Islamabad	F	0	0
Istanbul	F	2	36
Jakarta	F	0	0
Johannesburg	S	24	75
Lisbon	C	14	57
London	S	10	50
Los Angeles †	Fg	13	55
Luxembourg	S	5	41
Madeira	S	19	66
Madrid	S	15	59
Majorca	S	17	63
Malaga	F	20	68
Malta	S	18	65
Manila		–	–
Melbourne	C	19	66
Mexico City		–	–
Miami †	C	18	64
Milan	F	8	46
Montreal †	C	-3	27
Moscow	S	-3	27
Munich	F	0	32
Nairobi	F	24	75
Naples	F	9	48
Nassau	F	0	0
New Delhi	S	25	77
New York †	C	5	41
Nice	C	9	48
Nicosia	F	13	55
Oporto	F	14	57
Oslo	F	4	39
Paris	S	9	48
Prague	F	1	34
Reykjavik	Sn	-1	30
Rhodes	F	9	48
Rio de Janeiro		–	–
Rome	S	10	50
Salzburg	F	0	32
S Francisco †	F	11	52
Seoul	S	9	48
Singapore		–	–
Stockholm	F	1	34
Strasbourg	S	7	45
Sydney	S	24	75
Taipei		–	–
Tangier	C	16	61
Tel Aviv	F	15	59
Tenerife	F	19	66
Tokyo	F	7	45
Toronto †	C	1	34
Tunis	C	13	55
Valencia	S	16	61
Venice	S	7	45
Vienna	C	1	34
Warsaw	S	-1	30
Washington †	[illegible]	3	37
Zurich	S	3	37

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

Borrowed time

FT-SE Index: 2957.3 (+35.2)



Source: Datastream

It may be just as well that the *government will present two budgets* this year. Yesterday's consumer credit figures add to the impression that the economy has at last begun to grow. Yet the recovery is not secure enough to give the chancellor much leeway for fiscal tightening next week. If he wants to nurture confidence, he *will* probably still have to wait until November before setting about any serious deficit reduction.

Much of January's increase in consumer lending appears to reflect the turnround in car sales since the abolition of car tax. Stripping that out leaves a modest rise in credit card borrowing which hardly amounts to a broad-based revival in consumers' appetite for credit. Nor is there much reason to expect confidence to recover *strongly while unemployment is still* rising and there has been no definitive pick-up in the housing market.

Mr Lamont thus still faces the difficult task of convincing financial markets that the PSBR is under control without trampling any green shoots in *the process. The least the markets* require is a medium term plan for reducing the deficit with some net tax increase now as a gesture of good faith. Backbench Tory opinion *seems* to be moving in support of such an approach. Whether consumers will be happy is another matter. It is a pity the chancellor has been so emphatic on interest rates. Another rate cut would not be fully passed on in the mortgage market. But companies would feel the benefit in their cash flow. That might make them less inclined to shed staff.

Airtours/Owners Abroad

The air was full of the hissing of *deflated expectations after the German*-owned Thomas Cook unveiled the terms of its tender offer for 12½ per cent of Owners Abroad. Having rejected Airtours' increased offer, the onus was on Owners to come up with a far sweeter deal. But Thomas Cook's continued reluctance to slap hard cash on the table will surely count against it. For better or worse, British fund managers are more likely to be seduced by short term financial gain than longer term industrial logic.

Owners' proposed alliance with Thomas Cook certainly has its commercial attractions. It would furnish considerable cost savings, broaden Owners' marketing appeal and open the door to other European markets. But the 150p tender price represents only a small premium to Airtours' offer. Owners' shareholders would worry about the value of their remaining holding slipping without a bid premium. The company has hardly shown a slavish devotion to investors' *interests in the past.*

Airtours' bid offers more elusive industrial rewards but more tangible financial inducements. Given the wonders of UK accounting policies and the timing of the bid, Airtours can write off Owners' winter losses while fully benefiting from its summer profits. This will provide a substantial boost to profitability this year. Airtours' share price is likely to move ahead sharply on completion. The worries will only surface next year when any integration difficulties materialise and the intentions of the traditionally combative market leader, Thomson, become apparent.

Glaxo

It is a measure of Glaxo's vulnerability that the repetition of an already-known story should send the shares sliding against a rising market. That the US regulator has asked Glaxo to withdraw claims made for Zantac, its big selling anti-ulcer drug, is embarrassing. But regulatory raps for over-zealous marketing are not uncommon. Asking the company to write to doctors clarifying the position is the usual sanction. Glaxo was forced to do as *much in the UK last year over claims* made for its respiratory drug Serevent. Unless the company is foolhardy enough to stand its ground without supporting medical data, the spat should not escalate into a more damaging disagreement.

The episode might weaken Glaxo's defence of Zantac in the US next year against generic competition. *Since the* drug accounts for nearly half Glaxo's sales and a rather higher proportion of profits, that is legitimate cause for concern. Some of the therapeutic benefits which are used to justify Zantac's premium price have been called into question by the regulator. With the US healthcare industry in a penny-pinching mood, that could tip the balance in favour of cheaper alternatives. The threat is not new, but Glaxo has to prove it can ride out the challenge.

In happier times, though, that would not send the shares into a spin. Even UK approval for a new asthma drug yesterday could not lift the gloom. With the market more interested in cyclical stocks – and while the shape of US healthcare reform remains unclear – buying Glaxo on good news is likely to remain a thankless task.

Japan

The irony of the government fid*dling the stock market following* the arrest of a senior politician for financial irregularities seems to have escaped the Japanese authorities. There was, however, a little more to yesterday's sharp rally in Tokyo than simple manipulation. NTT's shares have rallied by nearly 30 per cent in the last week on the hope that the phone company would be allowed to increase its tariffs.

But the most important influence is probably a *fear that institutions will be left behind in a liquidity-driven* rally. Short term rates are now at a record low and bond yields have fallen to 4 per cent. Those who bought high-yield foreign bonds in an effort to boost returns have had their fingers burned by the yen's strength. However much they hate the idea, investors are being dragged back to equities as one of the few assets which offers even the faint prospect of capital gains.

Of course, it is easy to construct a negative case. The economy is still in decline and the government's Keynesian packages will only offset a fall in private sector output this year. The moth-eaten balance sheets of corporate Japan will take years to repair. Operational restructuring has barely *begun.* With earnings depressed, share ratings are again sky high. Yet, as in London and New York, the weight of money could prove too much. And with such strong forces pulling on the market, Tokyo's recent stability looks like a very unstable equilibrium.

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COMPANIES & MARKETS
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INSIDE

Alusuisse hints at acquisitions

Alusuisse-Lonza, the Swiss aluminium, packaging and chemicals group, said its net profit jumped 19.8 per cent in 1992 to SFr121m ($78.6m), after large margin gains in its chemical and packaging businesses. Page 18

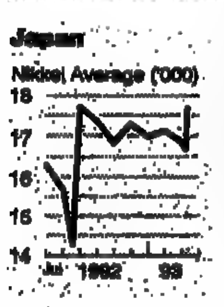
Cutting remarks

When the board of De Beers, the South African group which dominates the world diamond market, gathers today to consider the 1992 financial results and dividend, it will be the focus of unprecedented attention. The key question is by how much De Beers will cut the dividend – something it has only done once before in living memory. Page 20

Green shoots of devaluation

The devaluation of the "green pound" by more than 20 per cent since September has transformed the outlook for UK arable farms this year. A 200-hectare (500-acre) mainly cereal farm getting average yields, which earned £18,000 before common agricultural reform, had been facing a drop in income to only £7,000 ($10,115) this year. But the UK's withdrawal from the exchange rate mechanism and the devaluation of the pound had pushed prospective earnings up to about £32,000. Page 26

Nikkei hits new high



The Nikkei average rose 5.1 per cent to a three-month high yesterday. Traders said that the approval of the fiscal 1993 budget in the House of Representatives last weekend had improved sentiment. "We could be seeing a new trading range for the market," said Mr Yasuo Ueki at Nikko Securities. Back Page

Debtors push up Intrum

Intrum Justitia, Europe's largest debt collection agency, pushed up pre-tax profits 28 per cent to £16m ($23m) in spite of finding it harder to reclaim money from hard-pressed consumers. "We get more debtors in recession; but they are less likely to pay back," said Ms Gunilla Demnert, finance director. Page 18

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Karstadt	564	+	11
Kaufhof	472	+	13
Philips Kommun	525	+	8
Schering	770	+	11.5
Falls			
Allianz Hld	558	–	9
Bil & Berger	890.5	–	14.5

NEW YORK ($)

Rises			
Apple	66½	+	1½
Charles Schwab	34⅞	+	2
Intel	116	+	2¼
Johnson & Johnson	41⅝	+	1⅛
Falls			
Glaxo	18⅞	–	⅜
Philip Morris	63½	–	1⅛

PARIS (FFr)

Rises			
Cogifi	395	+	19
Havas	491.9	+	18.4
Par Reescompte	297.8	+	14.7
Union Immob Fr	518	+	18
Falls			
Gaumont (Soc N)	470	–	20
Legris	182	–	8.1

TOKYO (Yen)

Rises			
Crown	600	+	79
NEC	711	+	50
Seibu Railway	2790	+	400
Tokyo Dome	2210	+	260
Ube	380	+	42
Falls			
Yokogawa Const	2550	–	200

New York prices at 12.30pm.

LONDON (Pence)

Rises			
Barclays	421	+	13
Christies Int	170	+	14
Ferguson Int	291	+	17
Goode Durrant	93	+	7
Greggs	535	+	[illegible]
Intrum Justitia	77	+	5
Kode Int	160	+	10
Mayflower	51	+	[illegible]
Perkins Foods	105	+	7
Platon Int	30	+	3
RPS	49	+	7
Transfer Tech	488	+	33
Union Discount	89	+	5
[illegible]	485	+	19
Whitegate Leis	24	+	3
Wiggins	9½	+	4
Yorkshire TV	129	+	8
Falls			
Brit Fittings	53	–	5
Brit Vita	235	–	18
House Leroux	[illegible]	–	6
Lon Clydeside	55	–	8
MTL Instruments	209	–	29
Ramco Oil	[illegible]	–	9
Saatchi	183	–	8

Marc Rich to step down and cut stake

By Ian Rodger in Zurich

MR MARC RICH, the international commodity trader, is retiring from the big trading company, Marc Rich & Co, he founded in 1973 and has headed ever since.

The usually secretive company said in a statement that Mr Rich would also be reducing his shareholding from more than 50 per cent to 15 per cent within five years.

Mr Willy Strothotte, a 48-year-old German who left the Zug-based company last year after what Mr Rich called a "philosophical difference in management", is to become chief executive. According to the statement, Mr Rich was "very pleased" that Mr Strothotte was returning.

It said Mr Rich's share stake would be reduced to 40 per cent, hopefully within 90 days. "The management and a number of employees of the company will acquire the ownership which is being transferred."

Both Mr Rich and his company have frequently been involved in controversy. Mr Rich, a Belgian by birth, founded it in New York in 1973 after leaving the US commodity trading group, Philipp Brothers (Phibro) in 1973 over a dispute about his annual bonus.

He soon built it up to a multi-billion dollar business, with strong positions in oil, ores and metals trading. He said last year it had turnover of $30bn in 1991, and net worth of more than $1bn, placing it second only to the US Cargill group among international traders. It employs about 1,300 people throughout the world and has some 200 shareholders.

In 1984, in the face of tax evasion, fraud and racketeering charges in the US, he moved to the Swiss city of Zug where the group had its headquarters. He still faces criminal charges in the US.

In the same year, the Swiss Federal Banking Commission investigated a loan to the Rich group, and concluded that the loan, secured on a Rich ship, was designed to prevent the US authorities from confiscating the ship when it entered US waters.

Evidence of unrest at the group emerged last summer when three senior executives, including Mr Strothotte, left. Mr Rich scoffed then at suggestions of retirement. "I guess I am a business machine, yet I have been doing this for 40 years. When my original partners retired two years ago the thought went through my mind: 'Should I retire as well?' But it did not take me long to decide that I love the business and this is what I want to continue to do."

Banque Indosuez falls to FFr101m

By Alice Rawsthorn in Paris

BANQUE Indosuez, a subsidiary of Suez, the troubled French holding company, yesterday highlighted the pressures on the French banking sector by revealing a sharp fall in net profits from FFr805m ($143m) in 1991 to FFr101m last year.

Mr Antoine Jeancourt-Galignani, chairman, said he hoped Indosuez would move back towards "normal profits" this year.

However its poor performance in 1992 was one of the main reasons for last week's announcement by Suez, its parent company, that it incurred a loss last year for the first time in its history.

Suez shares, which have risen rapidly on takeover speculation since last week's disclosure, yesterday rose again by FFr2.20 to close at FFr320.70.

Market sources said that more than 870,000 Suez shares were traded yesterday after 1.6m shares (more than 1 per cent of the capital) changed hands on Friday.

Axa, the French insurance group, Mr James Goldsmith, the Anglo-French industrialist, and Mr Jean-Marc Vernes, the French financier, have been suggested as possible bidders for Suez, one of France's most prominent holding companies with interests spread across industry and finance.

However Suez does have the support of several "friendly" shareholders.

One of its chief problems has been the difficulties of banking subsidiaries, which include Banque La Hénin as well as Indosuez, both of which have been heavily exposed to the precarious property market.

Indosuez, one of France's leading investment banks, was forced to raise its net provisions from FFr1.55bn in 1991 to FFr3.59bn in 1992 mainly because of its losses on loans to property developers. The bank was also hit by the fragile state of small businesses.

These pressures took a toll on net profits in spite of an increase in exceptional gains from FFr362m in 1991 to FFr1.3bn in 1992. Indosuez was also resilient on the operational front with net banking income increasing from FFr10.93bn to FFr11.31bn over the same period and gross operating profits from FFr3.46bn to FFr3.78bn mainly due to its expansion in Asia and the Middle East.

Louise Kehoe on the search for a leader to turn around the ailing computer giant

Prescription for IBM: a new Thomas Watson

THE deliberations of the directors charged with finding a new leader for the world's largest computer company have been cloaked in secrecy. Even senior International Business Machines executives are in the dark. However, the search for a successor to Mr John Akers remains the favourite topic of industry gossip.

Seven weeks before a self-imposed deadline, the quest for a new chief executive appears to be narrowing to a short list of candidates from within the industry.

Names frequently mentioned include Mr John Sculley, chairman of Apple Computer, Mr Paul Stern, who resigned as chairman of Northern Telecom just two days after Mr Akers announced that he would be stepping down at IBM, Mr Larry Bossidy, chairman of Allied Signal, and James Mr Cannavino, IBM senior vice-president, the only "insider" considered a likely candidate.

When the search committee was established in January, IBM said that it was seeking the best qualified person – inside or outside the company, and inside or outside the computer industry. Technical expertise is not seen as a necessity, the company said.

The most important qualification, IBM says, is that the individual be "a proven and effective leader, skilled in managing change".

The new chief executive of IBM must be able to deliver inspirational addresses and at the same time cut the workforce by tens of thousands. He must rebuild the confidence of Wall Street in the company that was long the bluest of blue chips, but which lately has seen its stock price plunge and its dividends cut.

Most importantly he must make customers believe, once again, that IBM can provide technology that will enhance the performance of their businesses.

Finding somebody able and willing to take on such a challenge will not be easy. Those who want the job probably underestimate the difficulties while those who appreciate the enormity of the task may shrink from it, industry executives say.

Yet IBM's problems are not unique. Like many smaller companies it has been overtaken by market and technology trends. IBM's next leader is probably somebody who has already addressed such problems, albeit on a smaller scale. He will be "change agent" who commands respect, if not popularity.

● Mr Paul Stern made few friends at Northern Telecom and would not be a popular choice among IBM employees. However, as an ex-IBMer he is said to understand the company's culture. He is known as a hard-driving manager who would not flinch from prescribing the drastic surgery that many industry analysts say IBM must undergo.

● Mr John Sculley has told close associates that he has no plans to leave Apple Computer. However, his recent purchase of a house in Greenwich, Connecticut, close to IBM's East Coast headquarters, has fuelled the rumour mill. According to one former IBM executive, Mr Sculley has engaged consultants to research IBM's problems so that he can make a persuasive presentation to IBM's selection committee, but associates of Mr Sculley say that this is unbelievable. Apple's alliances with IBM in the personal computer arena have given Mr Sculley more insight into the current workings of IBM than any other "outside" candidate. He is also a proven master of public relations and has a strong reputation as a technology "visionary".

● Mr Larry Bossidy of Allied Signal is reported to have made several visits to IBM's headquarters in recent weeks, firing speculation that he may be in the running for the top job. At Allied Signal, a diversified industrial conglomerate, Mr Bossidy has masterminded a broad restructuring and produced a strong profit rebound.

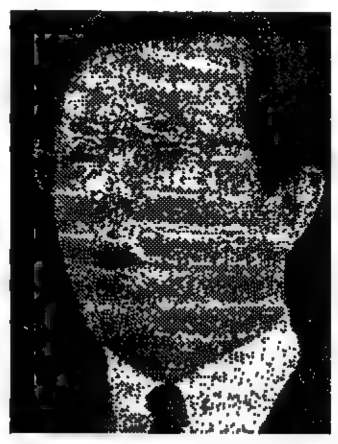
● Mr James Cannavino has long hoped to succeed to the top post at IBM, according to associates and industry executives. As general manager of IBM's personal systems division, he has been responsible for last year's restructuring of IBM's personal computer business which is now increasing its market share after several years of decline. Mr Cannavino is also in charge of IBM's workstation technology which promises to become the core of the company's next generation mainframe computers, as well as future personal computers and hand-held computer devices.

Known within the company as a non-conformist, Mr Cannavino eschews the buttoned-down style of IBM's top echelon.

He is called the "outside insider", with a deep understanding of the company's culture but a strong belief that it must change.

The search committee is headed by Mr James Burke, the retired chairman of Johnson & Johnson, and includes six people from outside the computer industry: Mr Thomas Murphy, chairman of Capital Cities/ABC; Mr Stephen Bechtel, retired chairman of the Bechtel Group; Mr Thomas Frist, chairman of Hospital Corporation of America; Mr J. Richard Munro, retired co-chairman of Time Warner; former US Secretary of Defense Mr Harold Brown, and Wellesley College president Nanneri Keohane.

Sculley: committed to Apple but rumours link him with IBM



Stern: ex-IBMer, but would not be popular with IBM employees

Cannavino: the only "insider", thinks change is inevitable

Bossidy: restructured industrial conglomerate, Allied Signal

The committee has hired two executive search firms, Heidrick & Struggles and Spencer Stuart, to help find a new chief executive.

Industry observers expect IBM to present its new chief executive at the annual shareholders meeting, scheduled for April 26. That leaves little time for the selection committee to decide on its candidate, and negotiate terms. The decision will certainly not be easy.

By announcing its willingness to consider outside candidates, the board has added to the symbolism of the event.

IBM has not brought in a chief executive from outside its own ranks since 1914, when the company was still called Computing-Tabulating-Recording Company. The man chosen then – needed, just like today's candidates, to reinvent a floundering company – was Mr Thomas Watson Sr, the founder of the modern IBM.

The new chief executive's task will be difficult enough, in all conscience, without inviting comparison with one of the 20th century's most influential businessmen. But if he can manage a fraction of Mr Thomas Watson's achievements, the search committee will have spent its time wisely.

ICI clears way for Zeneca issue by settling US patent dispute

By Paul Abrahams in London

IMPERIAL Chemical Industries and Barr Laboratories, the New-York-based generics group, have settled a drugs patent dispute in a move that helps clear the way for ICI's wholly-owned subsidiary Zeneca to make its £1.3bn ($1.84bn) rights issue in June.

ICI and Barr have reached an out-of-court settlement concluding a dispute over the US patents for Nolvadex, Zeneca's best-selling breast cancer drug.

Last April, ICI's Nolvadex patents were invalidated by a US southern district court of New York. It decided irregularities in filing for the US patent for Nolvadex had made the patent unenforceable. ICI was appealing.

The court's decision put Nolvadex's US annual sales of about $265m at risk. The patents were supposed to run for another nine years. Recent US patent expiries – including that of ICI's heart drug Tenormin – have been followed by sales falling as much 50 per cent over 12 months, as generic manufacturers undercut the price of the previously patented brand.

The two groups have now agreed to dismiss all claims raised in the action. Both have acknowledged there was a substantial possibility that the drug's US patents would have been held valid and enforceable. The drug's US patents are scheduled to expire in 2002. They have expired in other countries.

Under the agreement, ICI will pay $21m to Barr. The US group will enter a non-exclusive distributorship agreement with Zeneca and will start selling the drug from November 1. ICI indicated the price the medicine would be sold to Barr would not allow the US company to undercut Nolvadex's existing price substantially.

ICI announced last month that it was to spin off Zeneca, its pharmaceuticals, agrochemicals and speciality chemicals subsidiary. The demerger needs to be confirmed in May by an extraordinary general meeting.

Barr is also challenging Wellcome, the UK group, over the validity of its patents for AZT, the HIV-treatment.

● Glaxo, Europe's biggest drugs group, yesterday announced it had been notified by the UK's Medicines Control Agency that its new inhaled steroid asthma treatment Fluticasone had been given a product licence. The decision increases the likelihood of the drug receiving licences from other regulatory bodies.

Thomas Cook moves for Owners

By Richard Gourlay in London

THOMAS Cook, the UK travel agency and financial service company, yesterday backed its plans for a commercial alliance with Owners Abroad by making a tender offer at 150p for up to 12.5 per cent of the UK holiday company.

The £29m ($41m) cash offer is conditional on Owners Abroad's shareholders rejecting the hostile all share offer and partial cash alternative from Airtours, the rival tour company.

Mr Christopher Rodrigues, Thomas Cook chief executive, characterised the offer as a substantial capital investment to support what was a "quite unique commercial alliance". Owners Abroad and Thomas Cook say the arrangement would allow Thomas Cook and LTU, the German tour operator – both of which are controlled by Westdeutsche Landesbank, the German state bank – to create a substantial pan-European holiday company.

Airtours responded to the offer by saying it would neither extend its offer beyond March 16 nor increase its final offers which last night valued Owners Abroad at £285m.

Airtours' share price closed unchanged at 237.5p while Owners shares fell 3p to 141p after heavy two-way trade. Thomas Cook's emphasis on the commercial attractions of the alliance was greeted as an unusual move at this stage in a bid.

Owners Abroad's directors and their trusts, which control 5.5 per cent of the stock, will not be accepting the tender. Even so Owners shareholders could therefore expect cash for only about 13.2 per cent of their holdings. By comparison, Airtours is offering a partial cash alternative up to 56 per cent of Owners shares at a price yesterday of about 131p.

City observers' immediate reaction was that Thomas Cook had offered too little too late in the bid.

Mr Rodrigues stressed that the tender offer had not been an attempt to frustrate the Airtours bid but was an alternative for Owners shareholders that would lead to substantial long-term commercial benefits.

Thomas Cook wanted to buy a share stake of about 10 per cent in Owners Abroad and believed an investment of about £30m was sufficient to support its plans in the UK market.

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Alusuisse-Lonza advances to SFr121m for year

By Ian Rodger in Zurich

ALUSUISSE-LONZA, the Swiss aluminium, packaging and chemicals group, said its net profit jumped 19.8 per cent in 1992 to SFr121m ($78.26m), due to large margin gains in its chemical and packaging businesses.

Sales rose only 3.4 per cent to SFr6.5bn, but the group benefited from specialising in fine chemicals and environmentally friendly packaging systems.

The directors said in the annual report that this result, after a 63 per cent slump in profits last year, was "satisfactory". It proved the merit of the strategy to restructure its businesses to reduce their vulnerability to economic cycles.

Operating profits were up 19 per cent to SFr350m, with packaging profits soaring 51 per cent to SFr127m and chemicals profits advancing 27 per cent to SFr142m. Profits on aluminium businesses, on the other hand, fell 13.5 per cent to SFr83m.

In January, the group announced the closure of its last remaining aluminium smelter in Switzerland. Closure costs for this and other restructuring measures jumped by over one-third to SFr97m.

The directors said that the strains being felt by other companies in the chemical and packaging sectors in the current recession might throw up further acquisition opportunities for the group.

● Elektrowatt, the Swiss electric utilities and engineering group, said its net profit in the year to September 30 1992 fell 19 per cent to SFr170m.

Sales were up 1.6 per cent to SFr4.61bn , but profits were hit by the impact of the recession in the building industry and in avionics.

Operating profit of Moor, the electrical components subsidiary, dropped 8.1 per cent to SFr192m and the group set an extraordinary SFr22m charge for restructuring it.

Mr Adolf Gugler, chief executive, said he expected a "higher" profit in the current year. He also said the group intended to change its participation certificates into bearer shares and split the shares.

Currency crisis takes its toll on Legrand

By Alice Rawsthorn in Paris

LEGRAND, the electrical equipment group which has traditionally been seen as one of the most resilient French industrial companies, saw net profits fall by 6.5 per cent to FFr657m ($116.23m) in 1992 from FFr703m in 1991.

The group's main problem last year was the strength of the franc following the September currency crisis which took a toll on its income from outside France.

Legrand last year performed slightly below the expectations of analysts, who had been forecasting a slight improvement for the group in 1992.

Legrand, which has maintained its dividend at FFr57.50 for ordinary shares and FFr92 for "privileged" shares, said it was well-placed to withstand another difficult year. "Everything is in place so that we can cope with the deterioration in the economic environment without jeopardising out plans for the future," it said.

The group, which is involved in both the production and distribution of electrical equipment, managed to increase turnover by 3 per cent (just ahead of French inflation) to FFr10.25bn from FFr9.95bn in 1991.

However, Legrand estimated that it "lost" FFr100m in net profits last year because of currency fluctuations in the final quarter and exceptional financial costs.

Besnier sells cheese unit to banks

By Alice Rawsthorn

BESNIER, the acquisitive French dairy group, has sold a 40 per cent stake in Sofil, the company through which it controls the Caves du Roquefort cheese concern, to three banks in a FFr700m capital-raising exercise.

Sofil was formed last autumn as the vehicle with which Besnier, already one of the largest participants in the European cheese industry, bought a 57 per cent stake in Roquefort for FFr862m ($153.38m) from Nestlé, the Swiss food group, following the latter's successful bid for Perrier mineral water.

The Sofil stake in Roquefort has since been raised to 69.5 per cent (with 55 per cent of the voting rights). Sofil has also bought an 8.1 per cent holding in Bel, another leading French cheese producer, reportedly as a precursor to taking a larger investment.

However, Besnier and Roquefort are heavily indebted. As a result, Besnier has ceded 40 per cent of Sofil in equal shares to three French banks – Crédit Lyonnais, Banque Nationale de Paris and Société Générale – in a FFr700m to FFr800m capital increase.

The deal should alleviate the financial pressure on Besnier, a private company run by Mr Michel Besnier, which expanded rapidly by acquisition in the 1980s and was burdened by net debt of FFr2.5bn before the Roquefort deal.

Besnier is trying to address the operational difficulties at Roquefort which last month reported a net consolidated loss of FFr148m for 1992, against a pre-tax profit of FFr37.28m in 1991.

Traub and Maho scrap agreement

By Christopher Parkes in Frankfurt

TRAUB and Maho, two of Germany's largest machine tool makers, have scrapped a collaboration agreement announced three months ago.

The link, which was to start with joint distribution and service networks and extend into buying and product development, was broken because of structural differences, Traub said.

Instead, Traub, Germany's second-biggest lathe maker after Gildemeister, has joined forces with Berthold Hermle, a much smaller milling and drilling machine specialist.

The new partners will each maintain their own German sales and service networks, although Hermle products will in future be sold through Traub's international dealerships, representing the company in 12 countries.

At present, Hermle does around 70 per cent of its business in Germany, although its Swiss subsidiary Aciera and a newly founded US arm put in a strong performance last year.

Overseas sales rose 27 per cent in the first nine months of last year to DM27m ($16.8m), while turnover at the German parent fell 25 per cent to DM64m. Reporting these figures in December, the company warned shareholders to expect heavy losses.

In 1991, the last year for which figures are available, Traub lost almost DM30m.

The companies said yesterday that tangible benefits would be apparent next year.

Meanwhile, Maho is understood to be continuing negotiations with rival Deckel on co-operation in manufacturing.

KHD plans rights issue

KLOCKNER-Humboldt-Deutz, the German diesel and industrial plant manufacturer, yesterday announced a one-for-two rights issue, writes Ariane Genillard in Bonn. The new shares will be issued at DM80 a share.

The issue is underwritten by a banking consortium led by Deutsche Bank, which owns a 41 per cent share in the company. The share offer will run until March 24.

Write-downs hit Uni Storebrand

By Karen Fossli in Oslo

UNI STOREBRAND, the Norwegian insurer, yesterday revealed a big loss in 1992 due to a NKr2.63bn ($373m) write-down on the group's 28 per cent stake in Skandia Forsakrings, Sweden's biggest insurer.

Uni reported a consolidated pre-tax loss of NKr3.38bn against a profit of NKr471m in 1991. Last August, Uni collapsed into the hands of public administrators after failing to service NKr3.6bn in short-term debt accrued to finance a failed raid on Skandia.

Uni said it would strive to dispose of the NKr4.7bn Skandia stake as soon as possible.

Group net operating income rose slightly last year to NKr20.48bn from NKr19.54bn as operating costs remained largely the same at NKr4.07bn. Mr Per Terje Vold, chief executive, said that, considering the difficult times which the group had experienced, the results achieved by the life and non-life divisions were acceptable.

"We are pleased to note that the results of the life and non-life insurance companies improved significantly during the last four months of the year," Mr Vold said.

The life insurance division lifted premium income by NKr90m to NKr4.74bn in 1992, but investment income fell by NKr387m to NKr4.99bn. Operating profit rose to NKr1.91bn from NKr1.09bn. The share portfolio was written down by NKr537m.

The non-life business saw premium income in 1992 fall by 2.5 per cent to NKr6.872bn as operating costs were cut by NKr128m to NKr1.8bn. Operating profit rose to NKr345m from NKr281m.

Uni said the non-life result was compromised by a NKr123m loss due to a hurricane which struck north-west Norway. It also suffered a NKr168m realised loss and write-down on the securities portfolio.

The group's international business saw premium income rise by 6.5 per cent to NKr4.702bn, but investment income fell by NKr175m to NKr323m. The division plunged into an operating loss of NKr546m last year, against a profit of NKr64m a year earlier.

Uni said the poor result was due in part to a NKr164m charge to cover damage resulting from hurricane Andrew. The international business will engage in reinsurance business only while the marine, oil, satellite and liability operations are to be transferred to the non-life business once approval is given by authorities.

Mr Vold forecast an improvement in 1993 through cutting costs, increasing premiums and reducing the risk profile of investments.

Accor close to Hungarian hotel chain deal

By Nicholas Denton in Budapest

ACCOR, the French hotel group, has entered the final stage of talks with Hungary's privatisation authorities for the acquisition of a 51 per cent stake in Pannonia, the country's main mid-market hotel chain.

Accor's bid, which topped an offer by a private group of investors, is understood to value Pannonia at well in excess of Ft8.9bn ($103m), the company's last reported book value. Precise terms were not disclosed and the finalisation of a formal agreement remains subject to achieving financing arrangements.

Pannonia has interests in 27 hotels, including the Budapest Novotel, which the Hungarian company owned and managed under franchise from Accor's Novotel unit. Accor is also looking to Pannonia to be its vehicle for future expansion in neighbouring countries.

The French group, Europe's largest hotel group, has been among the most active in the region, managing or investing in 13 hotels in Poland, Russia, Bulgaria and Hungary. Accor is also involved in hotel developments in Romania and the Czech Republic and has set itself a target of 50 hotels in the region.

The privatisation authorities plan to float the state's remaining shareholding in the chain.

The attractions of eastern Europe for Accor and other investors in the hotel sector have been low labour costs, consequently high margins and the large potential for growth.

Financing has, however, been a problem because the hotel market is depressed internationally and investors are wary of political and economic risks, and uncertainty over title to property in eastern Europe.

Legal problems held back financing of the acquisition by Marriott, the US hotel operator, of Budapest's Duna Intercontinental hotel. Marriott, backed by a financial consortium led by GiroCredit of Austria, last week finally agreed to pay $53m for the state-owned hotel after breaking numerous payment deadlines.

Advisers to the Hungarian government were confident yesterday that there would be relatively healthy institutional appetite for Pannonia and that financing would be possible.

Color Line profit doubles to NKr80m for year

By Karen Fossli

COLOR LINE, the Norwegian cruise and ferry group, said 1992 pre-tax profits nearly doubled to NKr80m ($11.35m) from NKr44m in 1991. Group operating profit rose to NKr313m from NKr212m, as sales rose to NKr1.67bn from NKr1.43bn.

Mr Jon Erik Nygaard, chief executive, said the group's four cruise ferry lines between Norway, Denmark, Germany and the UK set new traffic records in 1992. Passenger volume rose 9 per cent, representing 1.9m passengers, and 80,000 freight units, an increase of 6 per cent.

Net financial items rose to NKr233m in 1992 from NKr168m in 1991 due in part to a NKr31m non-capitalised currency loss on long-term D-Mark debt. Mr Nygaard said bookings for 1993 were satisfactory and showed continued development in the German market.

● Exportfinans, Norway's export lending institution, reported gross income up 17 per cent in 1992 to NKr312m from NKr267m last time.

Net income rose to NKr225m from NKr202m. Loans disbursed in 1992 to the domestic export industry reached NKr4.35bn, up NKr300m.

Reduced call charges trim Italcable to L130bn

By Haig Simonian in Milan

ITALCABLE, the Italian state-controlled international telecommunications utility, reported a slight fall in net profits to L130.3bn ($82.7m) last year from L132.7bn in 1991.

The decrease, which comes in spite of a 16.6 per cent surge in turnover to almost L790bn, stems largely from the progressive reductions in Italy's very high charges for international telephone traffic. The price cuts stimulated a 26.3 per cent rise in international telephone traffic last year, in spite of the recession.

The company, which said it was satisfied with the results, particularly in view of the higher financial charges it had faced in 1992, will pay an unchanged dividend of L230 for ordinary shares and L250 a share for savings stock.

Italcable said the volume of directly-dialled international calls had risen 58 per cent last year due to of improved marketing, improved quality and tariff cuts. The increase in data transmissions had been held to 13 per cent by growing competition under liberalisation laws, and the company planned substantial tariff cuts.

INTERNATIONAL COMPANIES AND FINANCE

Turner to launch new satellite TV station in Europe

By Raymond Snoddy

MR TED Turner, the television magnate, is launching a new satellite television channel for Europe in September.

Turner Network Television Europe yesterday announced plans for a 24-hours-a-day channel that will show 14 hours of cartoons a day, from 6am to 8pm, with films making up the rest of the schedule.

The new channel, which will be broadcast by the Astra satellite to cable networks and home dishes, is being put together from two Turner satellite networks in the US, The Cartoon Network and Turner Network Television.

"The popularity of our cartoons, films and other entertainment programming in Europe prompted us to bring these two services to the region," Mr Turner, chairman of the Turner Broadcasting System, said yesterday.

The new channel will draw upon more than 8,500 cartoons made by MGM, Warner Bros and Hanna-Barbera and the Turner library of around 2,500 feature films.

It will intensify competition in the European market for children's programming on satellite television.

The long-established Children's Channel – whose main shareholders include TCI, the Denver-based cable television company, and Flextech of the UK – will now face two rivals by the autumn.

Ted Turner: new channel will show cartoons and films

Viacom has announced it is bringing Nickelodeon, its children's channel, to the UK in a joint venture with British Sky Broadcasting.

The Cartoon Network and TNT will be delivered in English, although some programmes will be subtitled and dubbed.

Mr Turner's Cable News Network is already broadcast throughout Europe on the Astra system.

The new channel will initially be financed by advertising, although it could later become a subscription service.

Blockbuster to take 8% holding in Spelling

By Nikki Tait in New York

BLOCKBUSTER, the Florida-based video rental company, announced yesterday it was acquiring an 8.2 per cent stake in Spelling Entertainment Group.

Spelling is an entertainment conglomerate built up by Mr Aaron Spelling, and includes a library of television series, feature films, TV movies, and mini-series.

The stake which Blockbuster is buying was previously owned by Cincinnati financier Mr Carl Lindner's American Financial Corporation.

In exchange for the 24.5m ordinary shares of Spelling which Blockbuster is acquiring, the Florida-based company will issue 7.6 shares of its own stock to American Financial, together with warrants to acquire a total of 2m Blockbuster shares at an exercise price of $25 a share.

Mr Wayne Huizenga, chairman of Blockbuster, said the deal should help the company to become "a major force in the distribution and production of filmed entertainment". The Spelling library includes some 55 off-network series, including Dynasty, Dallas, and Twin Peaks.

There has been much debate about the long-term prospects for Blockbuster's video rental business if new technologies allowed households to have multiple movie channels on demand via a TV set.

The company has been attempting to broaden operations and become a widely-based home entertainment group.

Gambro lifts payout as income rises 27%

By Christopher Brown-Humes in Stockholm

GAMBRO, the Swedish medical equipment maker, said favourable market trends and acquisitions had helped it lift 1992 pre-tax income to SKr753m ($102.34m), up 27 per cent from SKr594m a year earlier.

The performance encouraged the group to raise its dividend 20 per cent to SKr4.50 per share from SKr3.75.

The group said its European renal care activities contributed substantially to the improvement, and it pointed to the favourable development of Cobe and Hospal, two companies which it has purchased in the past five years.

Sales rose 12 per cent to SKr6.3bn from SKr5.6bn. Operating profit rose 24 per cent to SKr972m, with interest expenses up to SKr299m from SKr283m.

Gambro's main activity, renal care, saw turnover rise 9 per cent to SKr4.5bn, thanks to strong sales of dialysis machines and other equipment.

But there were bigger increases from two of its other business areas. The intensive care and anaesthesia division lifted sales 17 per cent to SKr408m, helped by the purchase of the UK group MIE, and the blood component technology area increased sales by 18 per cent to SKr385m.

● Kymmene, the Finnish forestry group, is scrapping its dividend for the first time in decades after posting a FM1.36bn ($225m) loss in 1992.

It blamed overcapacity, low prices and its product mix for the deficit, which is bigger than its 1991 loss of FM1.3bn when it paid a FM0.90 per share dividend. Sales rose to FM13.61bn from FM13.45bn, while operating profit fell to FM394m from FM437m.

The group suffered from low capacity utilisation, aggravated by FM200m in non-recurring restructuring costs and FM190m in foreign exchange losses. It did not benefit significantly from the weakening markka because half its paper is produced outside Finland.

The result was a FM530m reversal in the operating profit of the paper divisions from a FM399m profit in 1991 to a FM131m loss last year.

Kymmene said it expected earnings to start improving gradually in 1993.

Mexican government changes channels

The forthcoming privatisations could usher in a media revolution, writes Damian Fraser

THE MEXICAN government has ushered in a potential revolution in the country's broadcasting and media markets by announcing the terms of the privatisations of two state-owned television channels, dozens of cinemas and the El Nacional newspaper.

Televisa, Mexico's dominant media company, will face real competition for the first time. The favoured bidders for the stations are all backed by rich partners, and most have long experience in Mexican radio and local television. All are aiming to take a slice of Televisa's audience share of around 90 per cent.

Investors have to register their interest and submit business plans by the end of this month for all or parts of the media package under sale.

The potential rewards are huge. Televisa's revenues from television were around $1bn last year, 27 per cent up in real terms on 1991.

Growth prospects are favourable: advertising cost per thousand viewers is one-fifth of that in the US, while steady economic growth and a young population mean advertising demand should grow substantially.

But much to the annoyance of advertisers, Televisa forces them to pay a year in advance. It has increased its advertising rates well beyond inflation: they more than doubled in 1990, rose by 40 to 60 per cent in 1991, and went up by another 30 per cent late last year.

Televisa's heavy-handed support of Mexico's ruling Institutional Revolutionary Party, including a recent pledge to give the party at least $25m, could become a handicap. One of the bidders for the state-owned networks says: "Televisa is a very powerful company, heavily protected by the government. Nevertheless, it is a monopoly and people grow tired of monopolies."

There are four favoured bidders for the two state-owned channels: Mr Clemente Serna of Radio Programas de Mexico; Mr Joaquin Vargas Gomez, who runs the subscriber-only television company, Multivision; the Aguirre family of Radio Centro, with Mr Ricardo Salinas of the electrical stores group, Elektra; and Mr Raymundo Gomez Flores, a rich businessman from Guadalajara, who owns Banca Cremi. Mr Gomez Flores may team up with whomever emerges as the winner.

Mr Serna runs Mexico City's most successful radio station, Radio Red, and owns a local television channel in Guadalajara. He is backed by rich partners. He maintains: "It will take three years to compete with Televisa, and will be very difficult – but we have the resources."

Mr Serna is buoyed by the success of his Channel 6 in Guadalajara, which has more than held its own against Televisa. "They are very worried about losing their national monopoly because then their power evaporates," he says.

Televisa, however, will be a tough competitor. It is a successful programme maker, with soap operas hit successes from Moscow to Los Angeles. Second, Mr Emilio Azcarraga, its president, and reportedly Mexico's richest man, is a survivor, having fought off attempts of expropriation from former Mexican president Mr Luis Echeverria, and won practically all intra-family battles over control for the company.

Mr Azcarraga's latest strategy is to turn Televisa into a international media empire, which dominates programming, broadcasting, distribution and advertising in the Hispanic world.

Televisa has also been on a buying spree. The deals include a 25 per cent interest in Univision, the largest Spanish-speaking media group in the US, and a 76 per cent interest in Peruana de radio Difusion, a Peruvian television and radio station.

The group has bought American Publishing Group – the world's largest Spanish language publishing house, with more than 80 magazines – for $130m, and has 70 per cent of Ovaciones, a tabloid-style newspaper in Mexico.

Earlier this year Mr Azcarraga bought PanAmSat, giving him control over satellite distribution of his programmes across the world.

Televisa already owns radio stations in Mexico, record labels, football teams and a bull-fighting stadium.

It is also set to control a third national network in Mexico. The Mexican government has announced it will give concessions for 62 local repeater stations, and Televisa has all but declared it will be given the stations, enabling it to turn Mexico City's Channel 9 into a national network.

Televisa's market dominance gives it an edge when dealing with advertisers. It has, for example, signed big advertisers – such as Pepsi-Cola and Colgate – in a three-year advertising deal. It also offers free spots to companies that promise not to advertise elsewhere.

A government official in Mexico's trade ministry said such restrictive practices would probably be illegal once Mexico's anti-monopoly law comes into force later this year.

However, at least one bidder was nervous that the government would be unwilling to enforce the law against its long-time supporter.

Profits at Federated reach $113m for year

By Nikki Tait

FEDERATED Department Stores, which emerged from bankruptcy last year and includes large department store chains such as Bloomingdale's, The Bon Marche and Jordan Marsh, yesterday reported after-tax profits of $113m for the 12 months to January 30.

The figure was reached on sales up to $7.08bn from $6.93bn, and compared with a net profits figure of $886.4m in the previous year.

However, the 1991-92 result was struck after various one-time items, including a $2.1bn extraordinary gain and a $1.68bn reorganisation charge.

In the final quarter of 1992-93, Federated made an after-tax profit of $99m, on sales up from $2.13bn to $2.26bn.

Yesterday, Mr Allen Questrom, Federated's chairman, said the group was very pleased with the year's performance, and "well-positioned for sustained earnings growth".

"We are encouraged by the increase in consumer spending and its positive impact on the economy in the fourth quarter," Mr Questrom added, though he said he thought it prudent to remain cautious about the economic outlook.

Luxembourg bank improves

BANQUE Générale de Luxembourg pushed net profits up to LFr1.72bn ($50.3m) in 1992 from LFr1.52bn, writes Andrew Hill in Brussels.

The bank's balance sheet was also swelled by a 13.2 per cent increase in customers' deposits to LFr432bn. The balance sheet total rose from LFr593bn to LFr662bn.

Net consolidated profit rose to LFr1.89bn from LFr1.7bn, while the consolidated balance sheet total was up from LFr599bn to LFr668bn.

CP unit in C$160m equity issue

By Robert Gibbens in Montreal

CANADIAN PACIFIC's Forest Products arm, CPFP, is planning to raise C$160m (US$128m) of new equity in order to bolster working capital and to support the remaining portion of its heavy investment programme.

However, Canadian Pacific is not taking up any of the 8m common shares, which are being sold at C$20 a share to an investment group headed by Scotia McLeod.

Its total interest in CPFP will drop from 70 per cent to 60.7 per cent.

The Forest Products arm raised US$75m in a debenture issue in January and last raised new equity in 1992 with an issue at C$26.50 a share. CP took up 20 per cent.

CPFP, one of North America's biggest newsprint producers, has omitted its common share dividend to conserve cash. It suffered a loss for 1992 of C$248m, or C$4.82 a share, on sales of $1.8bn, after restructuring charges.

● SNC, Canada's biggest engineering group, benefited from rationalisation and growing international business, which are helping to offset the long domestic recession. Fourth-quarter net profit was C$6.5m, or 46 cents a share, against a loss of C$1.9m, or 17 cents, a year earlier on revenues ahead at C$255m, against C$211m.

For all of 1992, profit was C$9.3m, or 64 cents a share, including a pre-tax gain of C$6.9m on the sale of several subsidiaries, against a C$4.2m or 34 cents a share in 1991.

Sime Darby up 9.3% to M$171m at half-way

SIME Darby, the Malaysia-based conglomerate that has grown into one of the region's leading multinationals, posted a 9.3 per cent rise in net first-half profits to M$170.9m (US$65.25m) from M$156.4m a year earlier, Reuter reports from Kuala Lumpur.

Earnings per share rose to 10.9 cents from 10.0 cents, and the interim dividend is being maintained at 3.5 cents a share.

Pre-tax profits rose to M$374.7m from M$358.8m on turnover 6.8 per cent ahead at M$3.32bn from M$3.11m.

However, the directors said the results for the second half were unlikely to show noticeable improvement as in previous years, and they expected profitability to be maintained at the same level as in the first six months.

The Malaysia region was the top profit contributor, due to strong results from the oil and gas division.

INTERNATIONAL COMPANIES AND FINANCE

Equity slump in Japan prompts Salomon revamp

By Emiko Terazono in Tokyo

THE prolonged slump of the Tokyo stock market has forced Salomon Brothers, the US securities house, to restructure its Tokyo operations.

Salomon, which raked in profits from computer-driven programme trading, was virtually unaffected by the fall in commissions due to the decline in trading volume.

However, it has fallen victim to the fall in market volatility caused by the Japanese government's stock market support operations to stabilise share prices.

The US house plans to cut 60 jobs in back-office and administrative operations for its Japanese equities division through voluntary retirement.

Salomon is also considering moving out of its expensive location in the heart of Tokyo's business centre, which also houses the stock and bond trading headquarters of Nomura Securities and the Tokyo branch of Barclays de Zoete Wedd.

The move by Salomon follows a wave of restructuring moves by other foreign brokerages. County NatWest, the securities arm of National Westminster Bank, gave up membership on the Tokyo exchange last December, and Merrill Lynch recently announced the closure of its three retail branches.

US securities houses, with expertise in stock futures and options trading, have been the leading earners in the Tokyo stock market, using arbitrage to exploit the difference in prices between the cash markets and the stock index futures markets.

However, the recent lack of price movements due to market support by the Japanese government has depressed arbitrage possibilities.

In addition, Japanese and other foreign brokers have entered the arbitrage business, and the increase in market participants has narrowed profit chances.

Salomon said it would focus on domestic and international bond trading businesses, and investment banking, including capital raising and strategic client services.

TOP FIVE FOREIGN BROKERS IN JAPAN
Pre-tax profits for half-year to September 1992

	(Ybn)	% change on year
Morgan Stanley	12.66	-3.4
Salomon Bros	7.41	-53.8
Swiss Bank Corp	3.06	+9.2
Goldman Sachs	2.25	-65.3
Société Générale	2.15	-66.7

ANI posts 7.6% profits rise despite lower sales

By Bruce Jacques in Sydney

AUSTRALIAN National Industries (ANI), the Sydney-based engineering group, managed a modest increase in earnings for the first half to December despite a recession-induced slide in sales.

The company yesterday reported a 7.6 per cent rise in net profits to A$26.7m (US$19m) in the period, from A$24.9m a year earlier, despite a 5.8 per cent fall in sales to A$610.1m from A$647.4m.

The interim dividend has been reduced to 4 cents a share from 5.3 cents, but the previous corresponding period covered seven months.

Mr E.A. Harris, chairman, said: "Directors do not expect trading conditions to improve significantly over the remainder of the financial year."

Indocement ahead 6% after $1bn acquisitions

By William Keeling in Jakarta

INDOCEMENT, Indonesia's dominant cement producer and largest listed company, yesterday announced a 6 per cent rise in net profits to Rp327.4bn ($180m) in the first results following nearly $1bn in food and property acquisitions last July.

The results were in line with brokers' estimates and include 12-month operating figures from Indofood, in which Indocement acquired a 51 per cent stake, and five-month operating results from Bogasari Flour Mills and the Wisma Indocement office tower.

Brokers estimate Indofood contributed about Rp58bn to net profits, which may appease some minority shareholders who considered the Rp777bn purchase price as too high. Until last July, all the acquisitions were privately-owned by the Salim group, Indocement's principal shareholder.

The purchases included Rp719bn in goodwill, and brokers say a similar amount has now been booked as an asset in Indocement's accounts. "It seems a very generous figure given the market's reservations over the acquisitions," noted one foreign broker.

Brokers expect Indofood to be floated by the end of next year, with Indocement possibly reducing its stake to lower debt, which increased to Rp2,974bn last year from Rp634bn in 1991.

There was a corresponding rise in the company's debt-to-equity gearing from 11 per cent to 143 per cent in 1992. Cash and time deposits dropped from Rp409bn to Rp120bn and net interest income moved from a Rp44bn gain in 1991 to a Rp120bn loss.

Net revenues rose from Rp771bn to Rp2,137bn and the company's operating profit increased from Rp310bn to Rp562bn year-on-year. Earnings per share were raised from Rp515 to Rp547.

Brokers expect improved prospects for the cement operations in 1993 following a recent rise in the government-controlled price of cement.

De Beers steps through dividend minefield

Philip Gawith previews the South African diamond group's 1992 results out today

WHEN the board of De Beers, the South African group which dominates the world diamond market, gathers in Kimberley today to consider the 1992 financial results and dividend, it will be the focus of unprecedented attention.

A terse announcement seven months ago – "The directors advise that the current outlook indicates a significant reduction in the final dividends" – sent the De Beers share price and Johannesburg Stock Exchange into a tailspin. It also unleashed an avalanche of unfavourable publicity on the company.

At the time, the air was thick with accusations that De Beers was either misreading or misleading the market. Many analysts were left with egg on their faces and investors with heavy losses.

Since then, sentiment towards the company has improved, but it remains very skittish. De Beers' shares, for example, plunged nearly 7 per cent on Wednesday last week to R62.75, before recovering slightly.

The key question today is by how much De Beers will cut the dividend – something it has done only once before. Most analysts are forecasting a cut of between 30 and 40 per cent, from 112 US cents a share in 1991. But some forecasters estimate the cut could be as high as 50 per cent.

Apart from De Beers' August dividend announcement, which effectively compels it to cut the dividend, a reduction is a financial necessity. Dividend cover has fallen over the past four years to a level where there is very little leeway to hold the dividend if earnings fall – as they are sure to do.

Investors and brokers will also anxiously scrutinise De Beers's balance sheet to ascertain how much it has spent mopping up the excess diamond supply that had bypassed the Central Selling Organisation (CSO), the De Beers controlled company that sells 80 per cent of the world's rough diamonds.

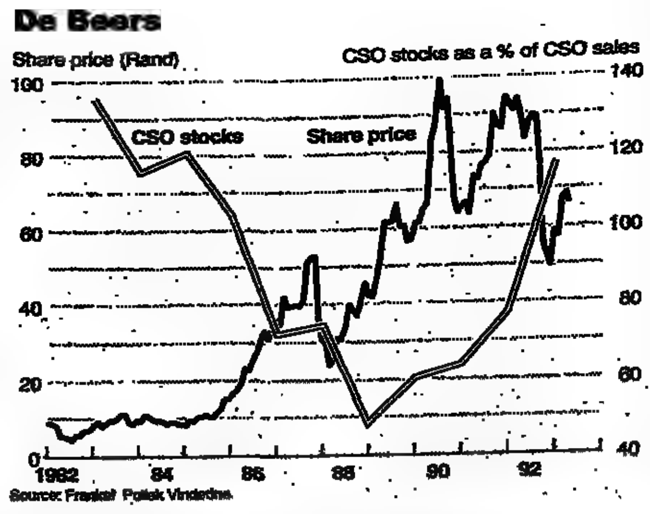
At the same time as the dividend announcement, De Beers imposed quotas which reduced the amount of diamonds the CSO would buy from producers by 25 per cent. This wrong-footed most brokers, and there is now considerable nervousness about what De Beers will decide to do next.

This partly reflects the high risk of forecasting errors. The secrecy and complexity of the industry mean analysts are dealing with imperfect information. But it is also a function of confusing market signals.

Despite the US recovery, the weak state of other world economies, especially Japan's, ought to be bad news for the sale of luxury items like diamonds.

News, however, from 1993's first two rough diamond auctions – known as "sights" – tells a different tale. Trade estimates suggest the two sights were worth a total of about

De Beers



Source: Frankel Pollak Vinderine

$850m, nearly 50 per cent more than the estimated $580m for the comparable auctions in 1992.

Analysts resolve this anomaly by arguing that the pick-up in sales is artificial. De Beers, they say, last year limited supply so much that it caused a shortage which led to a firming of prices and larger sights. Higher sales, however, do not reflect the underlying reality that production far outstrips demand.

One possibility is that the good sights, together with the CSO's recent 1.5 per cent rise in the prices it pays for rough diamonds, show that De Beers is trying to soften the blow of lower earnings.

Whatever the outlook for CSO sales in 1993 – most analysts seem to think they will rise marginally to $3.6bn from $3.4bn in 1992 – the improved state of rough diamond sights will have no bearing on De Beers results to be announced today.

These will certainly show a considerable fall in earnings, in large part due to its decision, effective from September, to impose quotas on producers. This obviously effects all De Beers's own mines – in South Africa, Namibia and Botswana. Analysts are predicting that earnings per share, including retained profits from associates, will fall by 20 to 30 per cent from 283 US cents in 1991.

There is little prospect of the CSO quotas being scrapped, since the gap between production contracted to the company, probably about $5bn, and actual CSO sales, remains considerable.

There is broad agreement among analysts that by imposing quotas, by mopping up rough stones outside the CSO and by keeping sights tight, De Beers has done a good job in performing its traditional role of maintaining order in the market.

Mr Kevin Kartun, analyst at stockbroker Frankel Pollak Vinderine, notes: "Once more the De Beers/CSO arrangement has restored stability ... I don't think anyone else could have done it."

Mr Des Kilalea, analyst at broker Martin & Co, endorses this view. "I think they've done their job. The doomsday scenarios one was hearing about are a lot more distant now." He adds, however, that De Beers is not yet out of the woods.

TWO problems held back De Beers last year: weaker-than-anticipated demand, as world economies failed to pick up; and increased supply as a flood of diamonds emerged from Angola. On the first count, the pick-up in the US economy is not sufficient to offset the anaemic performance of Europe and the increasingly fragile Japanese economy.

And, while floods and renewed hostilities in Angola have dampened supplies that from country, Mr Kilalea comments: "It is not a problem that has been cured. It is one that has been shelved."

Bank of Tokyo to set up Taiwan branch

By Emiko Terazono in Tokyo

AFTER months of negotiations with Beijing, the Bank of Tokyo, the Japanese foreign exchange bank, yesterday finally announced its representative office in Taipei would be upgraded to branch status.

This follows a painstaking approval process by the Chinese government, which is sensitive about dealings with Taiwan. Last month, the Bank of Tokyo denied an announcement by the Taiwanese government that the bank had won approval to open a branch in Taipei. The Bank of Tokyo has been wary of irritating the Chinese government, which punished the bank in 1990 when it announced plans to open a Taipei representative office by delaying a planned financial joint venture in Shanghai and suggesting other opportunities in the mainland market would be denied.

After governmental talks, Beijing forgave the bank but, ever since, Japanese financial institutions have been discreet in dealings with Taiwanese authorities. Bank of Tokyo's Taipei branch plans to start banking and foreign exchange operations on March 27, becoming the first Japanese bank to open a branch since Japan severed ties with Taiwan in 1972.

It will be the second Japanese bank to have a branch in Taiwan after Dai-Ichi Kangyo Bank, which opened its Taipei operations in 1959.

● Bank of Tokyo, is to donate $250,000 of its loan portfolio to the Filipino government in a "debt-for-child development" swap to assist a child education project in the Philippines. The debt donation will be channelled through Unicef Japan, and is the first ever of its kind. Japanese banks have started to write-off loans to developing countries through debt swap arrangements.

Last year, BoT and Dai-Ichi Kangyo Bank arranged "debt-for-nature" swaps, donating its loans to assist environmental conservation projects.

Until recently, Japanese banks were reluctant to participate in such programmes.

Shenzhen Tellus to offer 20m shares abroad

SHENZHEN Tellus Machinery and Electricity, a mainland Chinese company, is to offer 20m B shares at Yn4.28 ($0.75) each to overseas investors by public subscription, Reuter reports from Hong Kong.

The shares will be ready for listing on the Shenzhen Stock Exchange on June 18 and applications will start in Shenzhen from Thursday.

The company said it would issue 21.8m A shares at the same price to Chinese citizens.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, March 8, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	68.6613	41.3111	58.902
Albania	(Lek)	159.06	110.038	66.206	94.3976
Algeria	(Dinar)	32.911	22.7679	13.6986	19.5317
Andorra	(Fr Fr)	8.1425	5.6329	3.3891	4.8323
	(Sp Peseta)	170.75	118.125	71.0718	101.335
Angola	(Kwanza)	9996.18	6915.38	4160.74	5932.45
Antigua	(E Carr $)	3.904	2.7007	1.6249	2.3169
Argentina	(Peso)	1.4433	0.9984	0.6007	0.8565
Aruba	(Florin)	2.5883	1.7905	1.0773	1.536
Australia	(Aus $)	2.0505	1.4185	0.8534	1.2169
Austria	(Schilling)	16.935	11.7156	7.0489	10.0504
Azores	(Port Escudo)	221.45	153.2	92.1748	131.424
Bahamas	(Bahama $)	1.4455	1	0.6016	0.8578
Bahrain	(Dinar)	0.5513	0.3813	0.2294	0.3271
Balearic Is	(Sp Peseta)	170.75	118.125	71.0718	101.335
Bangladesh	(Taka)	56.5271	39.1055	23.5284	33.5472
Barbados	(Barb $)	2.9083	2.0119	1.2105	1.7259
Belgium	(Belg Fr)	49.50	34.2442	20.6035	29.3768
Belize	(B $)	2.892	2.0006	1.2037	1.7163
Benin	(CFA Fr)	407.125	281.65	169.459	241.617
Bermuda	(Bermudian $)	1.4455	1	0.6016	0.8578
Bhutan	(Ngultrum)	45.4830	31.4652	18.9315	26.9928
Bolivia	(Boliviano)	6.0009	4.1514	2.4977	3.5613
Botswana	(Pula)	3.3894	2.3447	1.4107	2.0115
Brazil	(Cruzeiro)	30502.2	21101.5	12696	18102.2
Brunei	(Brunei $)	2.3805	1.6468	0.9908	1.4127
Bulgaria	(Lev)	37.88	26.2054	15.7669	22.4807
Burkina Faso	(CFA Fr)	407.125	281.65	169.459	241.617
Burma	(Kyat)	9.4732	6.5549	3.9436	5.6232
Burundi	(Burundi Fr)	340.95	235.87	141.915	202.344
Cambodia	(Riel)	2892.0	2000.69	1203.75	1716.32
Cameroon	(CFA Fr)	407.125	281.65	169.459	241.617
Canada	(Canadian $)	1.8025	1.2469	0.7502	1.0697
Canary Is	(Sp Peseta)	170.75	118.125	71.0718	101.335
Cp. Verde	(CV Escudo)	107.29	74.2234	44.6576	63.6735
Cayman Is	(CI $)	1.2291	0.8502	0.5115	0.7294
Cent.Afr. Rep	(CFA Fr)	407.125	281.65	169.459	241.617
Chad	(CFA Fr)	407.125	281.65	169.459	241.617
Chile	(Chilean Peso)	565.79	391.415	235.501	335.78
China	(Renminbi Yuan)	8.3027	5.7438	3.4558	4.9274
Colombia	(Col Peso)	1200.25	830.336	499.584	712.315
CIS ‡	(Rouble)	0.8550o	0.5914	0.3558	0.5074
		937.33m	648.447	390.146	556.279
Comoros	(CFA Fr)	407.125	281.65	169.459	241.617
Congo (Brazz)	(CFA Fr)	407.125	281.65	169.459	241.617
Costa Rica	(Colon)	195.51	135.254	81.3777	116.03
Côte d'Ivoire	(CFA Fr)	407.125	281.65	169.459	241.617
Croatia	(Dinar)	1851.642	1280.97	770.715	1098.9
Cuba	(Cuban Peso)	1.0948	0.7573	0.4556	0.6497
Cyprus	(Cyprus £)	0.7134	0.4935	0.2969	0.4233
Czech Rep.	(Koruna)	42.265c	29.239	17.592	25.083
		40.66t	28.1286	16.924	24.1305
Denmark	(Danish Kroner)	9.2175	6.3766	3.8366	5.4703
Djibouti Rep	(Djib Fr)	255.0	176.41	106.139	151.335
Dominica	(E Carib $)	3.904	2.7007	1.6249	2.3169
Dominican Rep	(D Peso)	18.798	13.0044	7.8243	11.156
Ecuador	(Sucre)	2671.2o	1847.94	1111.84	1585.28
		2675.1a	1850.64	1113.47	1587.6
Egypt	(Egyptian £)	4.7602	3.2931	1.9813	2.825
El Salvador	(Colon)	12.6670	8.763	5.2724	7.5175
Equat'l Guinea	(CFA Fr)	407.125	281.65	169.459	241.617
Estonia	(Kroon)	19.180	13.2687	7.9833	11.3827
Ethiopia	(Ethiopian Birr)	7.15845	4.9523	2.9796	4.2484
Falkland Is	(Falk £)	1.00	0.6918	0.4162	0.5934
Faroe Is	(Danish Kroner)	9.2175	6.3766	3.8366	5.4703
Fiji Is	(Fiji $)	2.2515	1.5575	0.9371	1.3362
Finland	(Markka)	8.6440	5.9799	3.5979	5.1299
France	(Fr)	8.1425	5.6329	3.3891	4.8323
Fr. Cty/Africa	(CFA Fr)	407.125	281.65	169.459	241.617
Fr. Guiana	(Local Fr)	8.1425	5.6329	3.3891	4.8323
Fr. Pacific Is	(CFP Fr)	145.0	100.311	60.3537	86.0534
Gabon	(CFA Fr)	407.125	281.65	169.459	241.617

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Gambia	(Dalasi)	12.291	8.5029	5.1159	7.2943
Germany	(D-Mark)	2.4025	1.662	1	1.4258
Ghana	(Cedi)	863.0474	597.611	359.562	512.667
Gibraltar	(Gib £)	1.00	0.6918	0.4162	0.5934
Greece	(Drachma)	322.90	223.383	134.402	191.632
Greenland	(Danish Krone)	9.2175	6.3766	3.8366	5.4703
Grenada	(E Carr $)	3.904	2.7007	1.6249	2.3169
Guadaloupe	(Local Fr)	8.1425	5.6329	3.3891	4.8323
Guam	(US $)	1.4455	1	0.6016	0.8578
Guatemala	(Quetzal)	7.7650	5.3718	3.232	4.6083
Guinea	(Fr)	1174.57	812.57	488.895	697.074
Guinea-Bissau	(Peso)	7230.0	5001.73	3009.37	4290.8
Guyana	(Guyanese $)	182.196	126.044	75.836	108.128
Haiti	(Gourde)	17.3520	12.0041	7.2224	10.2979
Honduras	(Lempira)	8.5314	5.902	3.551	5.0631
Hong Kong	(HK $)	11.1760	7.7315	4.6518	6.6326
Hungary	(Forint)	125.15	86.579	52.0915	74.2729
Iceland	(Icelandic Krona)	94.14	65.1262	39.1841	55.8694
India	(Indian Rupee)	45.4830	31.4652	18.9315	26.9928
Indonesia	(Rupiah)	2996.12	2072.72	1247.08	1778.11
Iran	(Rial)	2200.0o	1521.96	915.713	1305.64
		98.50o	68.1425	40.9989	58.4569
Iraq	(Iraqi Dinar)	0.59338	0.4105	0.247	0.3522
Irish Rep	(Punt)	0.9875	0.6831	0.411	0.586
Israel	(Shekel)	4.01	2.7741	1.669	2.3798
Italy	(Lira)	2279.5	1576.96	948.803	1352.82
Jamaica	(Jamaican $)	31.9132	22.0776	13.2833	18.9395
Japan	(Yen)	168.50	116.569	70.1352	100
Jordan	(Jordanian Dinar)	0.9992	0.6912	0.4159	0.5929
Kenya	(Kenya Shilling)	79.530	55.019	33.103	47.1988
Kiribati	(Australian $)	2.0505	1.4185	0.8534	1.2169
Korea North	(Won)	3.1089	2.1507	1.294	1.845
Korea South	(Won)	1145.2	792.252	476.67	679.644
Kuwait	(Kuwaiti Dinar)	0.4425	0.3061	0.1841	0.2626
Laos	(New Kip)	1041.12	720.249	433.349	617.875
Lebanon	(Lebanese £)	2531.02	1750.97	1053.49	1502.09
Lesotho	(Maluti)	4.6083	3.188	1.9181	2.7348
Liberia	(Liberian $)	1.4455	1	0.6016	0.8578
Libya	(Libyan Dinar)	0.4182	0.2893	0.174	0.2481
Liechtenstein	(Swiss Fr)	2.2225	1.5375	0.925	1.3189
Luxembourg	(Lux Fr)	49.50	34.2442	20.6035	29.3768
Macao	(Pataca)	11.55	7.9903	4.8074	6.8545
Madagascar	(MG Fr)	2711.25	1875.65	1128.51	1609.05
Madeira	(Port Escudo)	221.45	153.2	92.1748	131.424
Malawi	(Kwacha)	6.3660	4.404	2.6497	3.778
Malaysia	(Ringgit)	3.7820	2.6163	1.5741	2.2445
Maldive Is	(Rufiya)	17.3158	11.9791	7.2074	10.2766
Mali Rep	(CFA Fr)	407.125	281.65	169.459	241.617
Malta	(Maltese £)	0.5514	0.3814	0.2295	0.3272
Martinique	(Local Fr)	8.1425	5.6329	3.3891	4.8323
Mauritania	(Ouguiya)	153.28	106.039	63.8002	90.9673
Mauritius	(Maur Rupee)	25.0	17.295	10.4058	14.8367
Mexico	(Mexican Peso)	4.4840	3.102	1.8663	2.6611
Miquelon	(Local Fr)	8.1425	5.6329	3.3891	4.8323
Monaco	(French Fr)	8.1425	5.6329	3.3891	4.8323
Mongolia	(Tugrik)	216.90	150.052	90.2809	128.724
Montserrat	(E Carr $)	3.904	2.7007	1.6249	2.3169
Morocco	(Dirham)	13.0127	9.0022	5.4163	7.7226
Mozambique	(Metical)	3985.1	2756.9	1658.73	2365.04
Namibia	(S A Rand)	4.6083	3.188	1.9181	2.7348
Nauru Is	(Australian $)	2.0505	1.4185	0.8534	1.2169
Nepal	(Nepalese Rupee)	67.14	46.4475	27.9458	39.8456
Netherlands	(Guilder)	2.7000	1.8678	1.1238	1.6023
N'nd Antilles	(A/Guilder)	2.5883	1.7905	1.0773	1.536
New Zealand	(NZ $)	2.7463	1.8998	1.1431	1.6298
Nicaragua	(Gold Cordoba)	8.676	6.002	3.6112	5.1489
Niger Rep	(CFA Fr)	407.125	281.65	169.459	241.617
Nigeria	(Naira)	36.1355	24.9986	15.0407	21.4454
Norway	(Nor. Krone)	10.180	7.0425	4.2372	6.0415
Oman	(Rial Omani)	0.5568	0.3851	0.2317	0.3304

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	37.8905	26.2127	15.7712	22.4869
Panama	(Balboa)	1.4455	1	0.6016	0.8578
Papua New Guinea	(Kina)	1.4105	0.9757	0.587	0.837
Paraguay	(Guarani)	2420.6	1674.58	1007.53	1436.56
Peru	(New Sol)	2.63	1.8194	1.0946	1.5608
Philippines	(Peso)	35.8609	24.8085	14.9264	21.2823
Pitcairn Is	(£ Sterling)	1.00	0.6918	0.4162	0.5934
	(NZ $)	2.7463	1.8998	1.1431	1.6298
Poland	(Zloty)	24082.0	16660	10023.7	14292
Portugal	(Escudo)	221.45	153.2	92.1748	131.424
Puerto Rico	(US $)	1.4455	1	0.6016	0.8578
Qatar	(Riyal)	5.2642	3.6417	2.1911	3.1241
Reunion Is. de la	(F/Fr)	8.1425	5.6329	3.3891	4.8323
Romania	(Leu)	844.83	584.455	351.646	501.383
Rwanda	(Fr)	209.5	144.933	87.2008	124.332
St Christopher	(E Carr $)	3.904	2.7007	1.6249	2.3169
St Helena	(£)	1.00	0.6918	0.4162	0.5934
St Lucia	(E Carr $)	3.904	2.7007	1.6249	2.3169
St Pierre	(French Fr)	8.1425	5.6329	3.3891	4.8323
St Vincent	(E Carr $)	3.904	2.7007	1.6249	2.3169
San Marino	(Italian Lira)	2279.5	1576.96	948.803	1352.82
Sao Tome	(Dobra)	347.0	240.055	144.433	205.935
Saudi Arabia	(Riyal)	5.4200	3.7495	2.2559	3.2166
Senegal	(CFA Fr)	407.125	281.65	169.459	241.617
Seychelles	(Rupee)	7.5337	5.2118	3.1357	4.471
Sierra Leone	(Leone)	780.84	540.187	325.011	463.407
Singapore	($)	2.3805	1.6468	0.9908	1.4127
Slovakia	(Koruna)	42.265c	29.239	17.592	25.083
		40.660t	28.1286	16.924	24.1305
Slovenia	(Tolar)	153.5	106.192	63.8917	91.0979
Solomon Is	($)	4.5771	3.1664	1.9051	2.7163
Somali Rep	(Shilling)	3788.5	2620.89	1576.9	2248.37
South Africa	(Rand)	4.6083c	3.188	1.9181	2.7348
		6.6133g	4.575	2.7526	3.9248
Spain	(Peseta)	170.75	118.125	71.0718	101.335
Spanish Ports in N Africa	(Sp Peseta)	170.75	118.125	71.0718	101.335
Sri Lanka	(Rupee)	67.25	46.5236	27.9916	39.9109
Sudan Rep	(Dinar)	14.46	10.0034	6.0187	8.5816
Surinam	(Guilder)	2.5811	1.7856	1.0743	1.5318
Swaziland	(Lilangeni)	4.6083	3.188	1.9181	2.7348
Sweden	(Krona)	11.015	7.6202	4.5848	6.537
Switzerland	(Fr)	2.2225	1.5375	0.925	1.3189
Syria	(£)	30.366	21.0072	12.6393	18.0213
Taiwan	($)	37.525	25.9598	15.6191	22.27
Tanzania	(Shilling)	495.98	343.12	206.443	294.35
Thailand	(Baht)	36.76	25.4306	15.3007	21.816
Togo Rep	(CFA Fr)	407.125	281.65	169.459	241.617
Tonga Is	(Pa Anga)	2.0505	1.4185	0.8534	1.2169
Trinidad/Tobago	($)	6.1456	4.25	2.5579	3.6471
Tunisia	(Dinar)	1.4555	1.0069	0.607	0.8655
Turkey	(Lira)	13417.18	9282.03	5584.67	7962.72
Turks & Caicos	(US $)	1.4455	1	0.6016	0.8578
Tuvalu	(Australian $)	2.0505	1.4185	0.8534	1.2169
Uganda	(New Shilling)	1754.21	1213.57	730.16	1041.07
U A E	(Dirham)	5.3078	3.6719	2.2092	3.15
United Kingdom	(£)	1.00	0.6918	0.4162	0.5934
United States	(US $)	1.4455	1	0.6016	0.8578
Uruguay	(Peso Uruguayo)	5.2490 (1)	3.6313	2.1848	3.1151
Vanuatu	(Vatu)	172.68	119.46	71.8751	102.481
Vatican	(Lira)	2279.5	1576.96	948.803	1352.82
Venezuela	(Bolivar)	121.1025	83.7789	50.4068	71.8709
Vietnam	(Dong)	15161.3	10488.6	6310.63	8997.8
Virgin Is-British	(US $)	1.4455	1	0.6016	0.8578
Virgin Is-US	(US $)	1.4455	1	0.6016	0.8578
Western Samoa	(Tala)	3.6981	2.5583	1.5392	2.1947
Yemen (Rep of)	(Rial)	23.859	16.5057	9.9309	14.1596
Yemen (Rep of)	(Dinar)	0.6579	0.4551	0.2738	0.3904
Yugoslavia	(New Dinar)	1084.5	750.259	451.405	643.62
Zaire Rep	(Zaire)	3804230.0	2631774	1583446	2257703
Zambia	(Kwacha)	665.16	460.159	276.862	394.754
Zimbabwe	($)	9.3484	6.4672	3.8911	5.548

Special Drawing Rights March 5, 1993 United Kingdom £0.949010 United States $1.38100 Germany D Mark 2.27451 Japan Yen160.748
European Currency Unit Rates March 8, 1993 United Kingdom £0.809895 United States $1.16868 Germany D Mark 1.95699 Japan Yen137.063

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) commercial rate; (r) parallel rate; (1) Uruguay March 1 1993 - New currency called the Peso Uruguayo. (s) Selling rate; (t) Tourist rate; (u) Currencies fixed against the US Dollar; (v) Floating rate; ‡ applies to states in the Rouble Zone. Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5. Monday March 8, 1993

INTERNATIONAL CAPITAL MARKETS

Feast of new issues digested on prospect of rate cuts

By Antonia Sharpe

CONTINUED optimism among investors that interest rates are set to fall further across Europe enabled the international bond market to digest yesterday's large supply of new issues.

The Kingdom of Sweden returned to the market for the first time since its $2bn global offering in February with a zero-coupon Eurobond issue denominated in French francs. Good demand enabled the borrower to increase the amount to FFr4bn from an original FFr3bn, and fanned hopes that some more zero-coupon bonds would be issued this week.

INTERNATIONAL BONDS

Sweden's 10-year bonds were priced at 48.65 to yield 24 basis points over the French government's 8½ per cent OATs due 2003. When the bonds were freed to trade, the yield spread tightened to 22 basis points, but later widened back to 24 basis points when the additional FFr1bn was launched.

An official at the lead manager, Paribas, said retail demand for the bonds was strong, especially in Germany, Switzerland and the Benelux countries. UK institutions were also interested. The official said that, by contrast, French investors did not show much interest, mainly because they did not accord to sovereign borrowers the reception they gave to domestic issuers of zero-coupon bonds.

Rarity value added to the attraction of the $300m, seven-year Eurobond issue with equity warrants launched by Veba, the large German utility.

Syndicate managers said that Veba was one of the few remaining German companies which still had authorisation from its shareholders to raise equity-linked financing without offering shareholders pre-emptive rights. In recent years, German companies have been discouraged from seeking further authorisations at annual meetings due to growing shareholder opposition.

Demand for Veba's issue was such that the price of the bonds rose as high as 119½ from an issue price of 116½, but were later bid at 117¼. The ex-warrant bonds closed at 99.55 bid, while the warrants traded around DM55.

The Eurosterling sector was tapped again in the morning by Carlsberg Finance AS, a subsidiary of the Danish brewing group, which raised £100m worth of five-year Eurobonds. Later, Halifax Building Society launched a £150m partly-paid seven-year Eurobond issue. The syndicate on the Halifax issue had not broken by the close of business.

Carlsberg's bonds, which carry a 7¼ per cent coupon, were priced to yield 7.31 per cent, or 68 basis points over the 7¼ per cent UK government bond due 1998. When the bonds were freed to trade by late morning, the spread narrowed to 63 basis points, reflecting continued demand from UK and continental institutions for sterling-denominated corporate paper.

The Czech National Bank's $300m three-year Eurobond issue, launched last week, was priced to yield 272 basis points over US Treasuries, at the lower end of the indicated range of 272-278 basis points.

● Moody's, the US credit rating agency, yesterday affirmed the long-term rating of British Airways at A2. It had earlier put the rating under review for a possible downgrade.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Veba Intl.Fin.Amsterdam(a)♦	300	6	116.5	Apr.2000	2.25/1.5	Deutsche Bank London
Republic of Venezuela#	130	9.125	100	Mar 1996	1/0.875	Banco Santander Negocios
Lkb Baden Württemburg(b)‡#	100	(b)	99.875	Apr.2000	0.45/0.3	Lehman Brothers Intl.
Edison Mall Finance(c)‡*	41	(c)	100	Mar.1998	-	JP Morgan Securities
D-MARKS						
Dresdner Intl Fin Dublin(d)‡	150	(d)	102.175	Mar 2003	[illegible]	Dresdner Bank
Nordic Investment Bank(e)‡	100	(e)	101.15	Apr.2003	1.5/1.15	IBJ (Deutschland)
FRENCH FRANCS						
Kingdom of Sweden	4bn	zero	49.65	Apr.2003	1.25/1.125	Paribas Capital Markets
Crédit Local de France(f)	1bn	4	100.38	Apr 2003	0.5/0.25	SBS France
STERLING						
Halifax Building Society(g)	150	7.875	101.68	Apr.2000	1.875/1.725	CSFB
Carlsberg Finance	100	7.25	101.25	Mar.1998	1.875/1.675	JP Morgan Securities
GUILDERS						
Bank for Dutch Municipalities	500	6.625	100.72	Apr.2001	1/0.625	Rabobank Nederland
PESETAS						
Japan Development Bank(h)	10bn	11.2	101.36	Mar.1998	1.625/1	BBV/ BoT (Madrid)
SWISS FRANCS						
Petroleos Mexicanos	150	6	101.5	Mar.1998	-	Credit Suisse

Final terms and non-callable unless stated. *Private placement. ♦With equity warrants. ‡Floating rate note. #Semi-annual coupon. a) Denominations: $5,000 + 28 5-year warrants. Exercise price: DM379. Warrant exercise period is extendable by up to 2 years. b) Coupon pays (0.5 × the 10-year CMT) + 1.45%; minimum 5%, maximum 28%. c) Backed by Edison Mall, Fort Meyers, Florida. Coupon pays 3-month Libor + 0.65%. Callable on any interest payment date at par. d) Coupon pays 9.5% fixed annual in first year and 12% - 6-month Libor thereafter. e) Coupon pays 10% fixed annual in first year and 12% - 6-month Libor thereafter. f) Denominations: FFr10,000 + 60 warrants to the 8.5% OAT due 2003. Strike price: FFr108.8. Exercise date: 13/4/95. g) Partly paid issue: 21.68% due on 14/4/93 and 80% on 14/4/94. h) Matador bond.

Terms fixed for special issue to cover Efim debts

By Haig Simonian in Milan and Richard Waters in London

THE dispute between the Italian authorities and foreign bank creditors of Efim, the state holding company which went into voluntary liquidation last July, moved closer to resolution yesterday as the terms were fixed for the special government bonds to be issued to repay creditors.

However, there was growing concern among the group's bank creditors that the European Commission might yet derail the agreement. Representatives on the steering group set up last year to co-ordinate foreign banks' negotiations with the Italian authorities said they believed the EC was querying whether government support in repayment of Efim creditors involved unfair state aid.

"That could put the whole thing back several months," one US banker said.

The details of the bonds to be issued remove some of the continuing uncertainties regarding the group's borrowings, which are believed to have reached L17,500bn, including trade creditors. Interest on the special bonds, which will have a five-year maturity, will be paid at 50 basis points above six-month RIBOR (Rome Interbank Offered Rate). The new bonds will be issued from April 1 and pay interest six-monthly in arrears.

However, doubts remain as to whether the terms will satisfy bank creditors, some of which have been threatening legal action.

The main issue still to be resolved concerns the treatment of accrued interest on Efim's debts since it was put into liquidation last July. Negotiations are also still continuing on how to treat debts of Efim subsidiaries which are not 100 per cent owned by the parent company.

There was also uncertainty yesterday about whether Efim's foreign bank creditors would receive the new Lira bonds, or whether they would be paid in cash raised from the sale of the bonds. Bankers in London said that they had reached agreement with the Italian authorities to be repaid in cash.

Late last year, Mr Alberto Predieri, the liquidator, said the L9,000bn offered by the government was insufficient, since accumulated interest payments had raised the sum required to about L10,000bn.

Bank creditors had threatened last month to block parts of the government's liquidation plan as a way of putting pressure on the authorities to have their debts repaid.

Treasuries rally amid hopes of state spending curbs

By Patrick Harverson in New York and Richard Waters in London

AFTER Friday's interruption, longer-dated US Treasury prices resumed their rally yesterday morning after sentiment was boosted by reports that President Bill Clinton was planning more spending cuts than he originally announced in his first budget.

GOVERNMENT BONDS

By midday, the benchmark 30-year government bond was up ⅜ at 105¼, yielding 6.68 per cent. At the short end of the market, the two-year note was only slightly firmer, up 1/32 at 100 1/32, to yield 3.84 per cent.

Although prices fell sharply on Friday morning following a much stronger-than-expected February employment report, by the end of the day they had regained much of their lost ground, an indication of how resilient market sentiment is currently.

It was no surprise, therefore, when bonds opened strongly yesterday. Dealers attributed the buying to weekend press and television reports suggesting that the White House was considering bowing to the wishes of Congressional Democrats and adding new spending cuts to its budget plans. The reports bolstered investors' belief that President Clinton is willing to take tough action to reduce the federal deficit.

Prices were also helped by continued shifting of funds into Treasuries by holders of mortgage-backed securities, and by comments from Mr Roger Altman, the deputy treasury secretary and key economic adviser to the president, who said that the government should be wary about "going overboard" with its planned economic stimulus given the latest jobs data.

■ THE higher-yielding European government bond markets showed further strong gains yesterday, continuing the outperformance seen since the Bundesbank's announcement on Friday that its key money market rate was to be cut by a quarter of a point.

Spanish and Danish bonds have led the rally, as pressure within the European exchange rate mechanism has eased. Ten-year Danish bond yields stood 185 basis points above those on German government bond before the Bundesbank's announcement; by yesterday evening, they had narrowed sharply to 155 basis points.

"People are looking for the right time to move out of bunds and into markets like Spain and Denmark," said Mr Jouni Kokko, an analyst at Warburg Securities in London. However, Mr Richard Gray, of UBS Phillips & Drew, said the rally was more likely to reflect a shift by fund managers out of cash. Friday's US employment report and Bundesbank announcement had provided the latest signal for fund managers to move into bonds or equities, he said.

German government bonds remained subdued after Friday's rally, with the yield on 10-year bonds remaining at around 6.5 per cent.

■ UK government bonds rose across the yield curve again yesterday as sterling remained firm. The best gains were seen at longer maturities, leading to a further flattening of the UK yield curve.

The bounce in sterling in recent days was reported to have encouraged greater buying by foreign investors. In the first 10 months of the current financial year, foreigners had bought only a net £600m of gilts, according to UBS Phillips & Drew.

The continuing rally prompted the Bank of England to issue a further three tranches of gilts totalling £700m, after last week's £1bn. The bonds issued are: £100m 6¾ per cent gilts due 1995/98, £300 of 9 per cent gilts due 2000 and £300m of 9¾ per cent gilts due 2004.

FT FIXED INTEREST INDICES

	Mar 8	Mar 5	Mar 4	Mar 3	Mar 2	Year ago	High *	Low *
Govt Secs (UK)	98.04	97.71	97.12	97.25	96.94	87.52	98.04	85.11
Fixed Interest	113.83	113.14	113.02	112.74	112.13	100.58	113.83	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928. * for 1992/93. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 113.83 (8/3/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Mar 5	Mar 4	Mar 3	Mar 2	Mar 1
Gilt Edged Bargains	134.9	122.8	141.1	137.7	150.4
5-Day average	137.4	132.5	131.9	130.9	128.8

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	113.8712	-0.436	7.91	7.75	8.76
BELGIUM		9.000	03/03	112.2750	+0.800	7.24	7.47	7.63
CANADA *		7.250	06/03	99.5500	+0.650	7.31	7.34	7.96
DENMARK		8.000	05/03	99.5600	+0.650	8.08	8.48	8.75
FRANCE	BTAN	8.000	05/98	103.5000	+0.100	7.18	7.48	7.54
	OAT	8.500	04/03	108.6300	+0.170	7.26	7.44	7.72
GERMANY		7.125	12/02	104.3700	-0.010	6.60	6.61	7.02
ITALY		12.000	05/02	97.2300	-0.090	12.90†	13.11	12.91
JAPAN	No 119	4.800	06/99	[illegible]	[illegible]	3.71	3.88	4.09
	No 145	5.500	03/02	110.8184	+0.146	3.91	3.88	4.30
NETHERLANDS		7.000	02/03	103.8400	+0.140	6.46	6.48	7.01
SPAIN		10.300	06/02	94.3700	+0.870	11.29	11.53	11.24
UK GILTS		7.250	03/98	103-08	+10/32	6.48	6.58	6.70
		8.000	08/03	93-08	+9/32	7.63	7.68	8.00
		9.000	10/08	108-10	+16/32	8.05	8.19	8.53
US TREASURY *		6.250	02/03	103-12	+4/32	5.80	5.98	6.29
		7.125	02/23	105-17	+13/32	6.69	6.83	7.17
ECU (French Govt)		8.000	04/03	103.8500	+0.860	7.44	7.89	8.08

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

GECC to pioneer 'dragon' offering

By Antonia Sharpe

THE financing arm of General Electric of the US is set to become the first corporate borrower to tap the "dragon bond" market, which is targeted at non-Japanese investors in Asia.

General Electric Capital Corporation (GECC), which has a triple A rating, intends to launch a US dollar-denominated fixed-rate offering by the end of March. Lehman Brothers has won the GECC mandate.

The dragon bond market has been pioneered by the Asian Development Bank (ADB) to develop Asia's capital markets and to stimulate participation by the region's investment banking community.

The ADB has launched two US dollar-denominated dragon bond issues since 1991 and is expected to launch a yen-denominated issue in the near future.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on March 8

U.S. DOLLAR STRAIGHTS / OTHER STRAIGHTS / DEUTSCHE MARK STRAIGHTS / FLOATING RATE NOTES / SWISS FRANC STRAIGHTS / CONVERTIBLE BONDS / YEN STRAIGHTS — Issued, Bid, Offer, Chg. day, Yield

[illegible]

* No information available - previous day's price. † Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	50	5	22
Other Fixed Interest	11	2	2
Commercial, Industrial	413	182	820
Financial & Property	285	44	464
Oil & Gas	22	14	48
Plantations	0	1	7
Mines	32	27	79
Others	67	16	39
Totals	880	291	1,481

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
51	F.P.	-	75	52	Intl. Food Machinery	75	+4	-	-	-	-
-	F.P.	-	94	91	♦Merlin Intl Units	94		H3.4	-	4.8	-
§210	F.P.	-	280	262	Motor World	275	+4	N6.3	2.5	3.1	17.1
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. u Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. [illegible] zero pref. share.

TRADITIONAL OPTIONS

● First Dealings March 8
● Last Dealings March 19
● Last Declarations June 17
● For settlement June 28

3-month call rate indications are shown in Saturday editions.

Calls in Alvis, Aran Energy, Avesco, Betterware, Brent Walker, Cannon Street Invs., Caverdale, First Natl. Fin., Gardiner, Goode Durrant, Kunick, MAI, Marshalls, Proteus Intl., Stonehill, Tadpole Tech., Taylor Nelson AGB, Transfer Tech. and Wilshaw. Puts in Betterware, Goode Durrant, Taunton Cider and George Wimpey. Doubles in Barclays and Tadpole Tech.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

[illegible]

March 8 Total Contracts 34,282
Calls 25,335 Puts 8,947
FT-SE Index Calls 4,095 Puts 3,574
Euro FT-SE Calls 510 Puts 35
*Underlying security price. † Long dated expiry mths. Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Mon Mar 8	Day's change %	Fri Mar 5	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	130.18	+0.11	130.04	2.23	1.72
2	5-15 years (22)	150.89	+0.29	150.45	1.72	3.03
3	Over 15 years (8)	159.76	+0.51	160.24	0.54	3.10
4	Irredeemables (6)	182.96	+0.55	181.98	2.46	1.48
5	All stocks (60)	146.65	+0.27	146.45	1.75	2.57
	Index-Linked					
6	Up to 5 years (2)	183.84		183.85	0.20	1.51
7	Over 5 years (12)	172.60	+0.01	172.59	0.85	0.87
8	All stocks (14)	172.96		172.95	0.76	0.96
9	Debs & Loans (66)	130.00	+0.55	129.28	2.06	2.24

AVERAGE GROSS REDEMPTION YIELDS

			Mon Mar 8	Fri Mar 5	Year ago (approx.)
	British Government				
1	Low	5 years	6.45	6.52	8.85
2	Coupons	15 years	7.55	7.60	9.28
3	(0%-7¾%)	20 years	7.83	7.88	9.28
4	Medium	5 years	6.74	6.78	9.57
5	Coupons	15 years	8.06	8.11	9.36
6	(8%-10¾%)	20 years	8.23	8.28	9.32
7	High	5 years	6.89	6.94	9.80
8	Coupons	15 years	8.27	8.31	9.47
9	(11%-)	20 years	8.36	8.40	9.40
10	Irredeemables (Flat Yield)		8.31	8.36	9.46
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	2.01	2.00	3.53
12	Inflation rate 5%	Over 5 yrs	3.46	3.46	4.34
13	Inflation rate 10%	Up to 5 yrs	1.18	1.17	2.89
14	Inflation rate 10%	Over 5 yrs	3.28	3.28	4.17
15	Debs &	5 years	8.46	8.49	10.93
16	Loans	15 years	9.16	9.21	10.71
17		25 years	9.39	9.48	10.54

British Vita ahead to £55.2m

By Richard Gourlay

BRITISH VITA, the polymer, fibre and foam company, yesterday disappointed the market with pre-tax profits up 9.5 per cent at £55.2m as continental Europe slowed sharply.

The shares fell from 253p to 235p.

In the year to December 31, operating profits fell 8.7 per cent to £48.7m on sales up 14 per cent at £788.5m.

The profits were flattered by £2m of currency translation gains and also benefited from a sharp increase in associated company profits after losses in Spartech were reduced.

As the proceeds of last year's rights issue were not fully utilised, the group benefited from £842,000 interest, compared with a charge of £4.6m. Mr Rod Sellers, chief executive, said the results were "creditable" given the market circumstances. He was particularly pleased with cash generation, given the deterioration in trading conditions.

Sales in the UK rose to £253m, but operating profit fell from £15.9m to £14.7m. The fall in continental Europe was greater – operating profits fell from £35.7m to £33.3m on sales up 15 per cent at £499.4m.

Sales to the industrial and auto sector in Germany were particularly hard hit by wage rate inflation. Consumer demand for products like mattresses held up relatively well.

The results were after £4m losses, including the cost of redundancies in the Spanish operation which had been hit by a slowing economy and where losses were continuing this year.

Earnings per share were unchanged at 16.3p, adjusted for the rights issue last year; a recommended final distribution of 3.65p lifts the total for the year to 7.15p (7.05p).

COMMENT

With the exception of Reuters, there are few other UK quoted companies more dependent than British Vita on the weakening European economy. Given the strength of management and tight working capital control in recession, this slow down is something investors would be prepared to stomach. What is really hurting Vita is Spain. The company could easily lose another £4m this year, redundancy payments for only 57 Spanish workers last year cost £2.5m. Until this is sorted out and the scale of the European slowdown in established, there is little for investors to be chasing. Pre-tax profits of £53m this year are likely to give earnings per share of 15.2p and a prospective multiple of about 15.

BPI in £8.4m acquisition of rival

By Peter Pearse

BRITISH Polythene Industries, the acquisitive polythene film products maker, yesterday announced an 18 per cent advance in pre-tax profits for 1992, an £8.4m acquisition, and a rights issue to raise £20.6m.

Pre-tax profits were pushed ahead to £12.1m (£10.3m) on turnover up at £177.2m (£156.1m). Some £400,000 for redundancies was subtracted giving operating profits of £14.5m, up 13 per cent.

The company has made eight acquisitions since its £15.5m rights issue in 1991. The current one, its ninth, is the business of Sonoco Polysack Europe from Sonoco, its US parent. Mr Cameron McLatchie, chairman and chief executive, said Sonoco was BPI's biggest competitor in the retail sector. He said he was not concerned about OFT considerations because of the customer-driven nature of the business. He said the acquisition would lift BPI's market share in carrier bags from 16 to 24 per cent.

BPI is to acquire Sonoco's Telford business for £6.7m cash and the non-trading Danish subsidiary which owns plant and equipment, for £1.7m cash. In the year to November 30 the Telford business incurred a trading loss of £385,000 (£1.56m) on turnover of £12.4m (£8m).

The current rights is on a 1-for-6 basis at 405p per ordinary share and 313 ordinary for every 4,000 convertible preference. The shares slipped 4p to 484p. After the acquisition and paying down current borrowings of about £22m, BPI will have about £11m of debt. A final dividend of 6.5p makes a total of 10p (9p), payable from earnings of 25.82p (23.79p).

COMMENT

The 1-for-6 cash call, rather than, say, 1-for-3 a little later, suggest that one or two juicy acquisitions could be in the pipeline. And that's on top of the Sonoco deal which is clearly a logical and positive move. It puts the very focused BPI, six times larger than its nearest competitor, in a much stronger strategic position and should be earnings-enhancing. Margins will improve with the most troublesome competitor out of the way and as general raw material prices rise. Pre-tax forecasts for 1993 range between £14.6m and £15.5m. If earnings per share are 27p, the multiple will be 17.5, if 29p, then 16. Investors will have no trouble deciding to take up their rights in full.

Brierley considers move on Brown Shipley

By Jane Fuller

GPG, the UK investment vehicle for Sir Ron Brierley, the New Zealand entrepreneur, was last night considering launching a full bid for Brown Shipley Holdings, the investment and broking group.

Yesterday it increased its stake in BSH to more than 22 per cent, raising the prospect of a counter-bid to that from BSH's largest shareholder, Kredietbank Luxembourgeoise. KBL holds 29.8 per cent and last year bought Brown Shipley & Co, the merchant bank, from BSH in a rescue deal.

KBL is offering 30p a share, valuing BSH at £4.8m. GPG has paid 35p a share for the latest 14.8 per cent tranche, which it bought from Mr Giorgio Rossi.

BSH last night said GPG would have to offer not less than 35p in cash.

Mr Rossi resigned from the board of BSH before the KBL bid was announced. He bought shares and joined the board in 1986, when the share price ranged between 400p and 645p. That was also the year KBL took a 20 per cent stake, for which it paid £23m.

Mr Rossi, a former Credito Italiano banker who lives in Switzerland, was once a director and had a 6 per cent stake in Guinness Peat, the forerunner of GPG which was relisted in November after nearly two years' suspension.

Mr Rossi sold his Guinness Peat stake in 1983. Yesterday his son Francesco, who works at BSH as a member of the supervisory board, said no connection remained between his father and GPG.

He added that his father had sold his BSH stake simply because: "35p is more than 30p. We are very sad to have to take this step. We thought BSH had a future as an independent company." The first closing date on Thursday for KBL's offer, which is recommended by the BSH board, comes after a convoluted series of events.

It made the offer in the wake of its claims against BSH totalling £2.4m. These arose from the acquisition of Brown Shipley and Co and its liabilities after the sale of Lease Management Services to Woodchester Investments, the Dublin-based leasing and banking group.

More than £1.5m has already been paid to Woodchester out of a total liability of [illegible].

Perkins Foods hit by interest turnround

By Maggie Urry

THE GLUT of fresh produce last year and a swing to interest payable cut 1992 pre-tax profits at Perkins Foods by 8.7 per cent to £22.1m.

However, the final dividend goes up 0.1p to 2.7p, bringing the total to 4.4p (4.3p). The shares rose 7p to 105p.

Group sales rose 36 per cent to £353.8m, of which only £9.2m came from acquisitions as takeover activity has subsided. Operating profits were ahead 10.7 per cent at £23.8m, with £600,000 coming from acquisitions.

Mr Howard Phillips, chief executive, said the group had integrated acquisitions and focused on seven business groups, although it reports results in four divisions.

An interest charge of £1.7m compared with receivable of £2.7m as sterling cash balances attracted lower interest rates and overseas borrowing costs rose. Mr Ian Blackburn, finance director, said gearing was 34 per cent, up from 12 per cent, if the D-Mark convertible loan notes are counted as debt.

The frozen food division increased operating profits by 33 per cent to £14.2m, but this included a £1.2m insurance payment.

In chilled foods, the only division to achieve organic profit growth, profits rose 20 per cent to £4.8m, but this was after a £1.4m provision covering the closure of a factory.

Fresh produce profits fell from £7.6m to £6.7m, although Mr Phillips said this was a better result than many competitors had achieved.

Fully diluted earnings per share fell from 11.9p to 9.7p.

COMMENT

Perkins share price has recovered from last year's fall. The group has done much to allay concerns about the fresh produce division, the lack of integration of rather hastily acquired businesses, and the balance sheet. Deferred consideration on acquisitions is beginning to tail off, with £8.3m paid in 1992 out of a potential £11m, and a maximum of £4.3m due in 1993 and another £5.1m possible over the next four years. The fall in sterling still raises doubts about the D-Mark convertibles, at least in the most cynical minds, but the group believes it can cover their redemptions from D-Mark cashflows if necessary. Forecasts are for a bounce back to profits of £25m this year giving a p/e under 10. The historic yield is still attractive at 5.6 per cent.

Pressure on margins leaves TDG at £33.5m

By Peggy Hollinger

SEVERE PRESSURE on margins hit profits at Transport Development Group which yesterday reported a 7 per cent decline at the operating level to £40.5m for the year to December 31.

Mr Martin Llowarch, former *British Steel chief executive* who took over as chairman in April, said the squeeze on margins had been most severe in transport and plant hire. "These are two areas where it has been pretty acute in recessionary times," he said.

The pre-tax performance masked the decline, showing an almost doubled return of £33.5m, against £16.9m. Turnover rose by £15.2m to £599.5m. The strong rise in pre-tax profits was due to the restatement of 1991 results under new accounting standards. A £17m charge for withdrawal from the US had previously been taken as an extraordinary item.

Earnings, similarly restated, rose from 3.6p to 12.05p. The proposed final dividend is maintained at 6.5p, for an unchanged total of 9.5p.

Mr Llowarch said TDG had experienced good trading in the Netherlands and Germany. France had been difficult, however, with losses of £2m in one subsidiary which wiped out profits from other French businesses.

Mr Llowarch warned that even the previously buoyant parts of continental Europe were beginning to slow down. "Transport has been getting more difficult on the continent than in the UK," he said.

TDG was taking steps to streamline the management of its European operations, as it had been doing in Britain for the past two years. Redundancy costs for 1992 came to about £2.8m.

Trading continued to be quiet in Britain, with no sign of an upturn. Operating profits declined from £32.3m to £31.8m, although they were cushioned by an increase in the storage division.

In the US, the group said it was confident of receiving the outstanding £10.7m proceeds on the sale of Willig Freight. However, this depended on the success of a private bond offer by the purchaser, which was expected to go ahead in the near future.

COMMENT

The gloomy noises coming out of Europe are perhaps one reason for the shares' decline from 295p to 285p in a buoyant market. There are some who argue TDG tends to leave the starting gate a bit late when it comes to strategy. The refocusing has been going on for two years, and is only now addressing Europe. On the other hand, its strong balance sheet shines at this point in the recession. What many fear, however, is that the cautious management will not use that strength aggressively. Forecasts are for flat profits of about £36m to £37m. The prospective p/e of 17.6 leaves the price about right, if not slightly demanding. However, this could change with economic recovery.

Cramphorn helps Wyevale rise to £3.5m

By Catherine Milton

Wyevale Garden Centres yesterday announced a 24 per cent jump in pre-tax profits to £3.54m for 1992, reflecting the previous year's acquisition of Cramphorn which made it the UK's largest garden centre company.

Turnover rose from £22.8m to £34.6m, reflecting the £16.5m purchase of Cramphorn in October 1991. Its 15 centres contributed about 44 per cent to the group's 1992 profits and turnover. The group has 41 centres in total.

The latest profits included £153,000 from the sale of property during the year. Year earlier profits were £2.86m. Operating margins decreased to 7.2 per cent (7.5 per cent).

The board recommended a final dividend of 1.52p (1.24p), bringing the year's total to 4p (3.72p). Earnings per share – excluding surplus on sale of properties – were 7.5p (8.8p).

The group said gross margins were up 0.5 of a percentage point to 46 per cent. Turnover had improved in the final quarter by 16.5 per cent, after a 4.6 per cent decrease in the third quarter.

Interest payments increased sharply from £146,000 to £1.42m because of the assumption of Cramphorn debt. Gearing, however, fell to 36 per cent from about 37 per cent.

Calderburn holds steady

By Catherine Milton

CALDERBURN, the office furniture manufacturer formed by the merger in July 1991 of Alan Cooper Holdings and Mayfield, yesterday announced pre-tax profits marginally higher at £2.83m compared with £2.77m, for 1992.

Gross margins increased from 9 per cent to 10.6 per cent on turnover down from £28.8m to £26m. Net interest receivable fell to £68,000 (£178,000).

The figures were prepared under FRS 3 standards.

The recommended final dividend is 4.9p maintaining the total at 7.7p, although this is not covered by earnings of 7.4p (8.1p).

The group's Cooper Dauphin office furniture design, manufacturing and marketing subsidiary, saw a 10 per cent dip in sales from £21.7m in 1991 to £19.7m this time.

Unit Press, the office furniture engineering components subsidiary, also saw a 12.4 per cent reduction in sales to £7.65m (£8.6m).

The subsidiary had been successful in opening up new markets in Germany with its largest customer Dauphin, which is also an investor in the group.

The results were in line with expectations as the group continued to benefit from its 1991 merger, analysts said.

The company had done well considering the difficult market.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
British Poly ......fin	6.5	May 28	6	10	9
British Vita ......fin	3.65	May 10	3.6	7.15	7.05
Calderburn ......fin	4.9	Apr 30	4.9	7.7	7.7
Clondalkin ......fin	2.898♣	Apr 30	2.583	4.732	4.381
Cornwell Parker ......int	1.7	Apr 17	1.7	-	5.7
Doeflex ......fin	3	May 18	2.7	4.6	4.02
Domestic & Gen § ......int	7.5	May 6	6	-	15
Fairey ......fin	6.9†	June 15	6	10.2	9
Greggs ......fin	10	May 21	9.375	15	14.125
High-Point ......int	nil	-	1.3	-	1.3
Intrum Justitia ......fin	2	June 4	1.6	3	2.4
Merchants Trust ......fin	2.65	May 21	2.5	10.6	10
Perkins Foods ......fin	2.7	May 28	2.6	4.4	4.3
Persimmon ......fin	5.8	Apr 19	5.8	8.6	8.6
Readymix ♣ ......fin	2.35	May 3	2.2	2.91	2.76
RPS § ......fin	1.2†	May 7	0.8	2.2	2
Transport Dev ......fin	6.5	May 7	6.5	9.5	9.5
Wyevale Garden § ......fin	1.52†	Apr 30	1.24	4	3.72

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ♣Irish pence.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.31	18.33	18.33
0100	27.89	21.71	22.85
0130	29.07	31.00	32.54
0200	29.07	31.00	32.46
0230	22.66	28.89	30.20
0300	22.66	21.78	22.87
0330	22.66	21.78	22.87
0400	18.19	[illegible]	18.28
0430	18.11	17.63	17.63
0500	18.11	17.61	17.61
0530	18.10	17.64	17.64
0600	18.10	17.64	17.64
0630	18.10	17.63	17.63
0700	22.07	21.46	22.55
0730	23.23	21.11	22.20
0800	23.09	22.23	23.36
0830	24.13	22.23	23.35
0900	24.46	22.23	23.34
0930	24.47	22.23	23.34
1000	24.47	28.49	29.82
1030	24.47	28.49	29.81
1100	24.47	22.24	23.34
1130	24.49	22.24	23.34
1200	24.46	22.24	23.34
1230	24.49	22.23	23.34
1300	24.46	22.23	23.35
1330	24.44	22.23	23.36
1400	24.43	21.57	22.67
1430	19.43	21.57	22.67
1500	23.29	21.57	22.67
1530	19.11	21.57	22.67
1600	23.26	21.57	22.67
1630	23.36	21.57	22.65
1700	24.60	23.28	24.42
1730	28.27	[illegible]	29.47
1800	28.31	28.20	29.46
1830	24.75	28.12	29.34
1900	26.78	25.85	27.03
1930	28.70	23.57	24.66
2000	24.60	23.22	24.31
2030	24.43	23.22	24.32
2100	23.39	21.46	22.50
2130	23.35	21.45	22.51
2200	23.33	21.45	22.82
2230	23.33	18.80	[illegible]
2300	18.64	17.63	17.63
2330	18.10	17.56	17.56
2400	17.54	17.54	17.64

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to [illegible] places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.60/MWh becomes 1.860p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction [illegible] until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone [illegible] between [illegible] and [illegible] Monday to Friday.

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Acquisitions help Fairey to £17.3m

By Paul Taylor

FAIREY GROUP, the specialist electronics and engineering company, reported a 19 per cent increase in pre-tax profits last year, helped by recent acquisitions and a strong performance by its core electronics and electrical power division.

Pre-tax profits increased by slightly more than expected from £14.5m to £17.3m on sales which expanded 17 per cent to £104.3m (£88.8m). Earnings per share climbed 16 per cent to 32.5p (28.1p) out of which an increased final dividend of 6.9p is proposed, making a total of 10.2p (9p) for the year.

Mr John Poulter, chief executive, acknowledged that "1992 was a good year for Fairey, despite the indifferent economic climate". Overall operating profits rose 20 per cent to £15.9m (£13.2m).

Operating profits in the electronics and electrical division jumped almost 42 per cent to £10.7m (£7.56m) including an initial contribution of about £1m from the acquisitions. Turnover was £56.1m (£39.5m).

In contrast the aerospace and defence division, which has been a shrinking business over the past five years, reported lower operating profits of £2.25m (£2.45m) on turnover which slipped to £22.4m (£24.2m).

The filtration and specialised ceramics division managed to hold steady in difficult markets with operating profits of £2.92m (£3.17m) on turnover which edged ahead to £25.8m (£25.1m).

Despite spending £15.6m in cash on acquisitions during the year the underlying positive cash flow still enabled the group to end the year with net cash of £2.1m, down from £12.7m a year earlier.

● COMMENT

Fairey continues to delight its shareholders. Since coming to market in November 1988 at 155p the stock has climbed steadily to close up 10p at a new high of 590p last night. So far the steady performance has been built on highly selective and well integrated acquisitions, organic growth and a timely restructuring of the aerospace and defence business. The balance sheet remains robust and assuming the management is not now tempted to go for a big acquisition, which would be rather out of character, further cautious small purchases look likely. If nothing else changes Fairey's recent acquisitions in the electronics field would add another £1m to profits this year, and with more than a third of its business in the US, it stands to be a beneficiary of both the stronger dollar and any US-led recovery. Full year pre-tax profits of about £19.5m look possible producing earnings per share of 34.5p. The stock is trading on a prospective p/e of 17. It is not not cheap, but it is a quality stock which may not have reached the top yet.

Trevor Humphries

Brought to book: John Poulter, who acknowledged Fairey had a good year despite the indifferent economic climate, after reporting a strong performance by core divisions

Alliance & Leics ahead to £122.5m

By John Gapper, Banking Correspondent

ALLIANCE & Leicester Building Society yesterday announced a 23 per cent increase in pre-tax profits last year, from £99.5m to £122.5m, after reducing provisions on its troubled commercial lending book from £117.4m to £49.5m.

The society reduced its overall provisions for bad loans to £203.6m (£215.1m).

The reduction in commercial provisions was offset by a rise in provisions on residential lending to £128.6m (£69.7m) because of house price falls.

It made a steep cut in mortgage lending to £1.26bn (£2.74bn), which it said was due to maintaining a "prudent" lending policy to protect itself from a "step-change" in the level of risk attached to residential lending.

One of the strongest contributors to profit was the Girobank subsidiary, which contributed £64.4m (£48.8m).

The profit was helped by growth in money transmission and a 20 per cent reduction in staff.

Mr Peter White, chief executive, said the society was gradually reducing its exposure to commercial property and lending fell to £570m (£500m). It ceased commercial lending except to develop and sell properties.

Mr White said the society expected to develop its personal banking business aided by Girobank's money transmission facilities. It would try to develop current accounts, and cross-selling of products such as life assurance.

He said the society, which increased its total assets marginally to £20.5bn, was in the first year of a three-year recovery phase.

It had dealt with its commercial lending problems and was well-provisioned against housing losses.

Bristol & West hit by fall in house prices

BRISTOL & West Building Society yesterday announced a 42 per cent fall to £39.1m in pre-tax profits after it was forced to triple provisions for possible bad debts on mortgage lending to £74.1m, writes John Gapper.

The society, the 10th largest by asset size, was affected by the fall in house prices in the south. The bad debt charge, which rose from £24.5m in 1991, cut profits despite a 23 per cent rise in operating profits to £113.2m (£91.9m).

Mr Tony FitzSimons, chief executive, said provisions had risen because the value of many properties on which the society lent has fallen below the level at which repossession losses were absorbed by mortgage indemnity insurance.

Mr FitzSimons said the society anticipated a reduction in its provisions for this year unless there was "a significant deterioration" in house prices. It also expected to raise profits in 1993 barring a worsening of the recession. The society confirmed it was planning to sell about two thirds of the 160 branches in estate agent chains Hamptons and Bristol & West Property Services. More will be invested in remaining branches to boost profitability.

Pre-tax profits in the second half were £26m, double those in the first. Mr FitzSimons said they had been "even stronger than anticipated" when the society announced half year figures. He said the society's policy of seeking arrangements with borrowers rather than repossessing had led to a rise in arrears of over 12 months.

TV-am asset sale continues

By Raymond Snoddy

TV-AM HAS sold its last significant broadcasting assets - its stake in Virgin Radio, which will launch a national pop channel on April 30.

TV-am bid for the second national commercial radio licence in a joint venture with Mr Richard Branson's Virgin Group at a time when it was trying to put together a portfolio of broadcasting businesses.

Since then the company has decided to sell up and distribute proceeds to shareholders.

At the same time as buying out TV-am's interest in the new station Virgin has brought Apax Partners, a venture capital group which will take up a 25 per cent stake in the new station.

Mr Bruce Gyngell, TV-am chairman, will step down as chairman of Virgin Radio. No price was disclosed for the deal but it is believed Virgin has paid about £1.5m.

Recently MTV paid £3.5m to buy TV-am's headquarters.

Cornwell Parker down 22%

CORNWELL PARKER, the furniture and fabrics group, blamed recession for a 22 per cent fall in pre-tax profits for the half year to January 31.

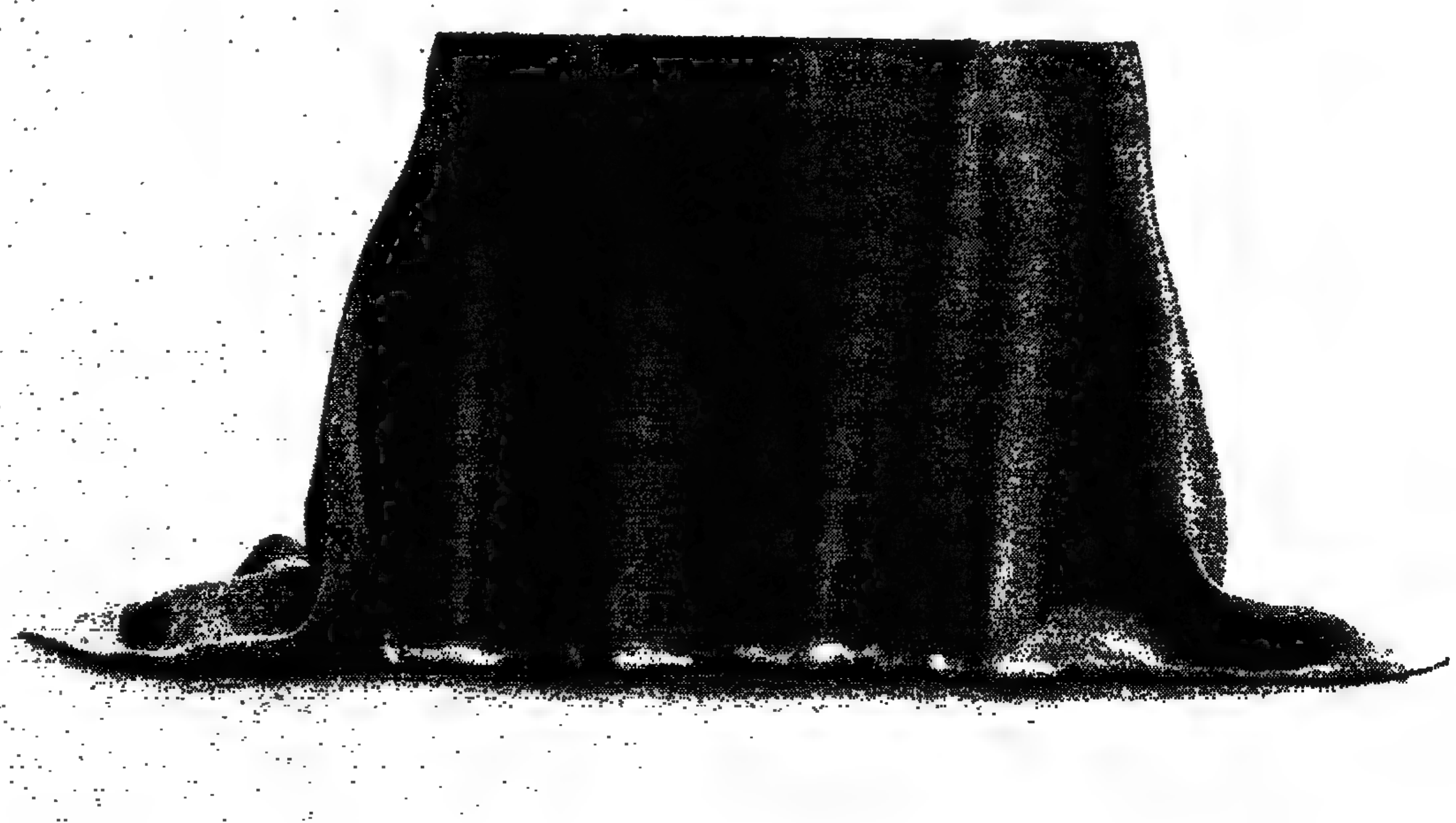
Profits fell from £3.73m to £2.92m on reduced sales of £43.1m (£44.1m).

The furniture division started the year with low order books resulting in a fall in revenue in the first six months. Margins, however, were maintained and a trading profit of £2.23m was earned on turnover of £24.8m.

Fabrics made a trading profit of £882,000 on sales of £18.4m. The operation has been affected by the 50 per cent fall in the number of people moving house since 1989.

Borrowings rose from £800,000 to £4.7m, reflecting the acquisition of Fardis, the French furnishing fabric business, giving gearing of 10 per cent.

The interim dividend is maintained at 1.7p, payable from earnings per share of 4.6p (6.2p).



FNFC requests banks to extend agreements

By Jane Fuller

FIRST NATIONAL *Finance* Corporation, the consumer credit group, has written to its 120 banks – to which it owes £1.3bn – asking them to extend or maintain lending agreements while the group's *funding is determined.*

FNFC is in default on its loans because of what it decribes as "trivial" and "technical" breaches of agreements, of which it has more than 100.

Mr Martin Mays-Smith, chairman, said the default was not on payment obligations: "We have always paid interest and continue to do so. The only thing that is significant is that the banks have a legal right to immediate repayment."

FNFC is asking the banks to waive the breaches – which are to do with infringements of bans on guarantees between parent and subsidiaries – and to maintain facilities. This *includes extending* the expiry date on about £350m of loans, due this month, in the group's main subsidiary, First National Bank. Yesterday the group was *composing a letter to share*holders which also deals with changes in circumstances since a £45.8m rights issue of convertible preference shares was announced on January 15. The issue was necessary to repair a capital base weakened by two years of heavy losses.

The breaches of banking agreements were not disclosed at the time even though most were known about by management and Kleinwort Benson, its merchant bank. It was decided they were not important because they were "old, technical and expected to be remedied in the short-term," as one advisers put it yesterday.

The breaches have prevented £160m being raised through the securitisation of unsecured home improvement loans. This was planned for the first half of this year, the rights issue document said.

The impression was given at the time of the issue that £100m of new term finance would be made available. This has not come to fruition either.

Mr Mays-Smith said on Friday that some banks in one of the syndicates were "fussing a bit". Some of the overseas lenders were under pressure to reduce their UK exposure.

As he faces a period of intense negotiations with the banks, he anticipates there will again be "a few on the periphery who will cause trouble.

"There are occasions when a militant minority stop something sensible being done, but that's not very often."

As well as seeking waivers of breaches and extension of facilities, the discussions hope to condense the 100-plus agreements into three – one for the parent and one for each of the main subsidiaries. A firm of management consultants will check internal controls on who can write what into documents, to avoid the contradictions that led to the breaches of banking agreements.

The share price, which rose to 80p last month, was 57p.

Govett advances 31% to $45.2m

By Philip Coggan, Personal Finance Editor

GOVETT, the financial services company, increased its pre-tax profits by 31 per cent from $34.6m to $45.2m (£31.8m), *in a year when it* altered its accounting practices to meet US standards.

The main effect of the change was on the group's US insurance subsidiary. Instead of reporting earnings on an embedded value basis, which brings forward a percentage of future profits into the current year, US standards (GAAP) concentrate on cash flows. The result was to reduce stated 1991 profits by $12.5m.

The group decided to make the change following its issue of an American Depositary Receipt Programme in the US and its plans to seek a quote on Nasdaq, the US over-the-counter share market.

Despite the change, the insurance company was the engine of profits growth in 1992, increasing profits from $4.8m to $19.1m. The group's institutional and mutual fund management business also increased profits, from $12.6m to $14.3m.

However, there were falls in profits from $6.5m to $6m at the venture capital arm *(because it completed fewer deals)*; and investment income also fell, because of lower interest rates and a stagnant stock market, from $14.1m to $9.8m. Funds under management grew during the year from $5.2bn to $6bn.

The company's share price, 107p at the interim stage, has risen sharply to close at 232p yesterday, helped by the revival of the dollar, a rerating *of the fund management* sector and the higher profile of the group in the US.

Total net income for the year was $49.1m (£38m). After corporate expenses of $3.9m ($3.4m), and tax of $11.2m ($6m), profits were $34.1m ($28.6m). Fully diluted earnings per share rose 25 per cent to 45 cents (36.1 cents).

The final dividend of 14.5 cents (13.5 cents) makes a total of 24 cents (22 cents).

Drayton Asia feels fire on its neck

Philip Coggan reports on a bid battle in the investment trust arena

DRAGONS ARE not supposed to be the underdogs. But that is the status of EFM Dragon, the Far East investment trust, which is bidding for Drayton Asia, an opponent twice its size – the relative market capitalisations are £57m and £116m.

Some of the fire in EFM *Dragon's bid comes from its* big brother, the Coal Board pension fund. It owns 20 per cent of both EFM Dragon and Invesco MIM, and has given its support, in the form of a letter of intent, to the bid.

In addition it owns 85 per cent of British Investment Trust, which in turn owns 54.3 per cent of Edinburgh Fund Managers, which manages EFM Dragon.

The pension fund's backing has helped EFM get off to a good start. Irrevocable undertakings to accept in respect of 13.6 per cent of the shares have been received from holders such as Co-Operative Insurance and Newton *Investment* Management. Added to the letters of intent, EFM Dragon already has the backing of 36.7 per cent of the shares.

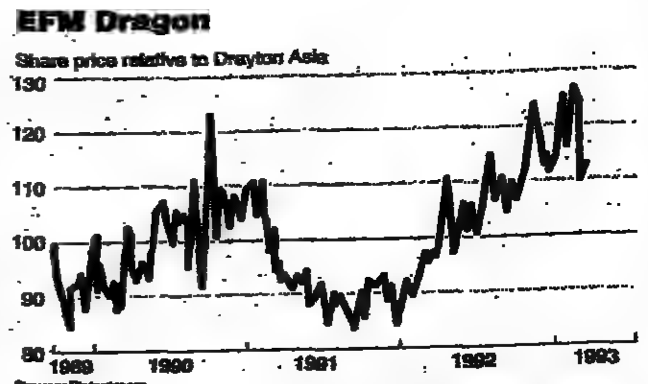
An important factor may be the perceived unpopularity of Drayton Asia's investment managers, Invesco MIM. There do seen to be times in the investment trust sector when one group comes under repeated attack. It was Touche Remnant in the mid-1980s and it seems to be Invesco MIM at present.

The problems of Drayton Consolidated, where Invesco was forced to pay £9.5m in compensation to shareholders; a fine from IMRO, the investment management regulator; and the group's involvement in the Maxwell affair have all resulted in difficult publicity.

Perhaps investor reluctance *to back Invesco MIM* led to the shares falling to a discount to

EFM Dragon

Share price relative to Drayton Asia



Source: Datastream

net asset value, which reached 26.8 per cent at one point in 1992.

When a trust's shares fall to a wide discount, opportunity arises for an outside bidder. A bid just below asset value offers a profit for existing shareholders, plus the chance for a bidder to buy a portfolio at a reasonable price.

EFM Dragon, in contrast, has *often seen its shares trade at a* premium. In essence, this represents an incentive to expand. EFM could take the option of a placing or a rights issue but it would probably find it impossible to raise as much as it could by buying Drayton Asia, which also comes with a ready-assembled portfolio of Far Eastern stocks.

If the bid succeeds, EFM Dragon argues that investment trust shareholders are only likely to accept a paper offer from another trust if they believe that the bidders are better managers.

As the graph shows, EFM Dragon has clearly outperformed Drayton Asia since the start of 1992. But the Drayton team argues that this outperformance is due to the Dragon pol*icy of gearing* up the trust, which improves the performance of trusts in bull markets, but damages it in bear markets.

The Drayton team has taken a deliberate decision not to gear up, because it feels the Far East stock markets are volatile enough already. The essence of the Drayton argument is that EFM Dragon may have provided higher rewards, but at the expense of higher risk.

"Gearing is part of management," says Mr Ian Watt of Edinburgh Fund Managers. "We took a bullish view of markets and it worked. But our performance is more due to stock selection and *asset allocation.*"

Whatever the facts on performance, Drayton argues that EFM Dragon is trying to buy the trust on the cheap. Bids for investment trusts are always complex, since the value of a trust, its net asset value, changes each day in line with the shares in its portfolio.

Accordingly, bids are couched in terms of the formula asset value, which is the net asset value, minus the costs associated with the offer. In this case, EFM is offering shares worth 96.4 per cent of Drayton Asia's formula asset value, which in turn is about 3 percentage points less than the target's net asset value.

Drayton also points to the lack of a cash alternative. The value of EFM Dragon's offer thus *depends* on its shares. If those shares fell to a discount of 9 per cent, the average for the year to March 3, Drayton says the value of EFM's share offer would fall to 86 per cent of its undiluted net asset value.

Mr Lewis Aaron, senior investment trust analyst at SG Warburg Securities backs Drayton on this point. "I think the bid is an opportunistic attack on a fund management group when it is most vulnerable.

"EFM Dragon will probably go to a discount if the bid succeeds, because it will be a much bigger trust. Therefore I think the bid is not high enough *and there is not a cash* alternative."

But with so many of the Drayton Asia's shareholders backing EFM, the trust realises that these arguments may carry little weight. It is seeking to produce alternative proposals which might give investors better value.

Normally, trusts faced with a *predator resort* to one of two schemes – unitisation or a split capital structure.

The former turns the fund into a unit trust, which trades at asset value, and can be realised for cash. The latter, by splitting the share capital into more tax-efficient components, may eliminate the discount by creating extra demand for the shares. But the lack of income from Far Eastern stocks may *not make a split capital struc*ture possible in this case.

Drayton, unless it can find an alternative bidder, may thus be forced down the unitisation route. But with the bid nearly a month old, it needs to act quickly.

Moorgate Smaller Cos raising £25m

By Philip Coggan, Personal Finance Editor

Moorgate Smaller Companies Investment Trust is raising £25m via a placing of 25m offer units at 100p each.

The units will be exchanged for shares at the trust's undiluted net asset value on the latest date prior to the close of the offer. About 10m of the units will be available for existing shareholders.

The trust believes that the outlook for smaller companies has changed favourably in recent months as interest rates have fallen; the Hoare Govett Smaller Companies Index has risen 11.4 per cent in the first two months of the year, while the FT-A All-Share index rose only 2.4 per cent.

Moorgate Smaller Companies was launched in May 1991, with shares priced at 100p. Yesterday the shares closed at 123½p.

NWRe closure sparks concern over capacity

By Richard Lapper

CONCERN ABOUT a shortage of capacity at the London insurance and reinsurance market is growing in the wake of last week's decision by NWRe to cease underwriting.

NWRe is the latest in a number of withdrawals from the market, where companies frequently do business alongside syndicates at Lloyd's.

The company, jointly owned by Norwich Union, Winterthur of Switzerland and Chiyoda of Japan, announced its closure last Friday. It said its 1992 trading results were "unacceptable", partially due to claims from hurricanes Andrew and Iniki.

The company has also been hit by continuing claims on marine, aviation and liability insurance policies. Some 180 jobs, including 40 in London, will be lost as a result of the decision taken at a board meeting last Wednesday. Established in 1976, NWRe wrote a *broad book of London market* business, and was a leader in both marine and non-marine reinsurance. Premium income was £110m in 1992.

Underwriters said yesterday the decision could have a substantial impact on the marine liability reinsurance market.

Others suggested it could dent the confidence of management at similar sized companies, triggering further closures.

"At a time we are trying to attract new business to London, it will knock people's confidence in the market," said one prominent company underwriter.

Over the last few months, a number of companies, including English & American, Cigna and Yasuda, have either withdrawn from the London market or reduced their involvement.

Domestic & General rides the recession

By Richard Lapper

SLUGGISH SALES on the high street failed to restrict growth at Domestic & General.

The USM-traded specialist domestic appliance breakdown insurer yesterday reported a 26 per cent increase in pre-tax profits to £3.43m (£2.73m) for the six months to end-December.

D&G, in which Eagle Star, the composite insurer, has a 10 per cent stake, lifted the interim dividend by 25 per cent to 7.5p. Earnings per share were also ahead 26 per cent, to 33.55p.

Mr Howard James, managing director, said that the group intended to continue its expansion in the UK, where it has established marketing agreements with leading manufacturers such as Zanussi, Grundig and Electrolux and retailers such as Selfridges and Comet to sell its policies.

He said that most of the group's recent growth reflected an increase in the overall size of the market for domestic appliance insurance.

Even so D&G is beginning to target markets in Europe. It is authorised to underwrite in France and has recently reached agreement with Plus Ultra, a subsidiary of Norwich Union, to sell policies in Spain.

Gross premiums increased 23 per cent to £26.2m (£21.4m). Other income was up 22 per cent to £265,000 (£217,000).

Underwriting profits amounted to £6.14m (£5.13m). Expenses rose to £5.55m (£5.22m). Net investment income was up 8.9 per cent to £2.86m (£2.63m), despite lower interest rates.

Japanese company takes £650,000 stake in Arm

By Alan Cane

A JAPANESE venture capital company is spending £650,000 to take a stake in Advanced *Risc Machines, the Cambridge*-based semiconductor company owned by Acorn Computers of the UK together with Apple Computer and VLSI Technology of the US.

Nippon Investment & Finance, a member of the Daiwa Securities Group, is taking the stake in the company because of its technical expertise in designing high performance, low cost microprocessors.

Nippon Investment intends to introduce Arm into the Japanese business scene. In addi*tion, Sharp Corporation of* Japan has been licensed to manufacture and market Arm products on a global basis.

Arm's chief role is to design the chips that are built for it by VLSI Technology, Plessey and Sharp. The Arm chip has already been chosen for Apple Computer's "Newton" personal digital assistant, due for launch later this year.

CCS seeks backing for capital reconstruction plan

By Paul Cheeseright, Midlands Correspondent

CCS GROUP, the Staffordshire-based building materials company, is planning a capital reconstruction which, if approved by shareholders and the High Court, will lead to a resumption in the trading of its shares on the USM.

The shares were suspended *at 2p and receivers called in* during July 1991.

The latest accounts, for the year to end-October 1992, showed that CCS has accumulated losses of £4.95m. These will be eliminated and a reserve of £17,000 created by a reconstruction which has two principal elements.

The first relates to bank borrowings. Lloyds Bank is con*solidating all its lending and* accumulated interest into one loan of £351,801. Midland Bank, owed £911,974, is converting £300,000 into preference shares carrying interest of 7 per cent initially and redeemable in five tranches from 1996 and converting £100,000 into loan stock, while writing off the balance.

The second element relates *to the ordinary shares which* have a nominal value of 20p. CCS plans to reduce their value to 2p, by sub-dividing each one into a 2p ordinary and an 18p deferred share and then cancelling the latter. The share premium account of £624,000 will be cancelled.

CCS is now reduced to one trading subsidiary, G Blagg, which is operating profitably.

Shares advance as uncovered dividend held despite halving of profits to £10.2m

30% rise in house sales for Persimmon

By Andrew Taylor, Construction Correspondent

MR DUNCAN Davidson, chairman of Persimmon, the York-based housebuilder, said that since the new year the group's house sales had jumped 30 per cent compared with the same period in 1992.

This further confirmation of a revival in the UK housing market, together with the fact that group did not announce a rights issue with its results for 1992, sent the shares 5p higher to 240p.

The group also announced it was maintaining its final dividend at 5.8p making an unchanged total of 8.6p. This was despite a drop in earnings per share from 16.8p to 7.8p, pre-tax profits having been halved at £10.2m (£22.3m).

Persimmon plans to increase its output from 2,340 homes last year, up from 2,324, to 4,000 homes a year by the mid-1990s, making it one of Britain's five largest housebuilders.

Mr Davidson said that it would be in the best interests of shareholders to finance this expansion from cash flow, improved margins and increased borrowings, although, he could not rule out a rights issue at some stage in the future.

Net debt of £33m (£32m) at the end of last year was equivalent to gearing of 26 per cent. Interest payable rose from £2.58m to £4.1m.

Persimmon said that profits last year would have been higher but for a £3.1m provision against some of the group's development sites. If provisions were excluded the dividend was covered 1.23 times it said.

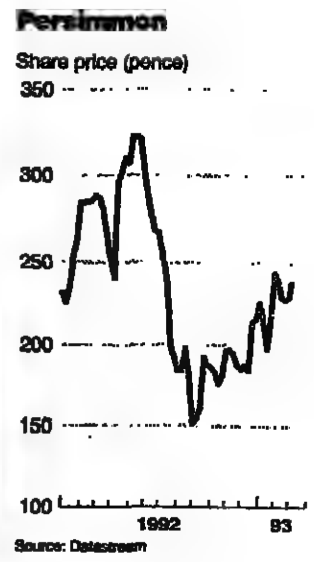
Mr Davidson said that the company had sold 1,318 houses during the first two months of this year, compared with 1,028 in the corresponding period last year.

However, he remained cautious of talking about a revival in the housing market. "We have seen these sort of gains before only for rises to peter out. Let us hope we are looking at a more sustained increase this time."

● COMMENT

Persimmon, anticipating a revival in house sales, increased the number of sites from which it sells by more than a quarter during the past 18 months. A delay in recovery meant that it was carrying additional overheads last year while net operating margins, before provisions, shrank from 16 per cent to just 9 per cent. The group therefore needs to increase volume sales. Only then will it be able to start reducing sales incentives and recover some of its lost margin. Improvement in margins is likely to be slow and is not expected to occur until later in the second half, provided the current sales improvement is maintained. The intention to increase gearing rather than raise new equity to support expansion is to be applauded however. Sales of 2,850 homes this year should provide pre-tax profits of at least £16m putting the group on prospective p/e of more than 20. Any improvement is already in the price.

Duncan Davidson: hoping for a more sustained increase



Cost controls help Greggs rise by 15%

By Chris Tighe

GREGGS, the bread, confectionery and savoury products group, reported a 15 per cent rise, from £6.07m to £6.97m, in profits before tax for the 12 months to December 26 1992.

The outcome, which took in a £134,000 loss on a property disposal, was achieved on turnover up 6 per cent to £101m (£95.5m), the first time the company has broken through the £100m barrier.

Describing 1992 as a "much better year", Mr Mike Darrington, managing director, said stable ingredient prices and improved efficiency and cost control had more than offset continuing effects of recession, increased competition and further escalation in rents.

All divisions showed improved performances compared with 1991. The company was trading from 487 outlets at the year end, a net increase of 13. Net cash stood at £6.7m, up £1.7m.

With the volume trend slowly improving and 1993 sales and profit to date ahead of budget and of last year, Mr Darrington expressed cautious optimism despite recent ingredient price increases caused by sterling's devaluation.

However, he urged the government to outlaw "highly inflationary upward-only" rent review clauses: further escalation of rents in 1992 meant the proportion of turnover absorbed by rent was effectively depressing profits by £1.5m a year, compared with five years ago.

Mr Darrington said Greggs hoped to double the size of its core business in the next seven to eight years and diversify into new areas, which he declined to specify.

Earnings per share rose to 40.6p (36.8p). The proposed final dividend is 10p, making a total of 15p (14.125p).

NEWS DIGEST

Doeflex advances to £1.5m

DOEFLEX, the plastic sheet maker, lifted pre-tax profits by 22 per cent to £1.51m in 1992, on turnover ahead by 40 per cent at £26.1m.

The result was achieved in difficult market conditions and was after absorbing two acquisitions – Horizon and Iridon – into the thermoplastic sheet division, directors stated.

The dividend is increased from 4.02p to 4.6p, with a final of 3p. Earnings were ahead 16 per cent from 10.59p to 12.28p.

Group performance continued to be hit by depressed conditions in construction and DIY markets. Results so far in the current year showed intense competition in many UK markets but better volume and profitability overseas.

Sharp recovery as RPS makes £0.73m

RPS Group, the USM-traded environmental consultancy, moved back into the black over the 1992 year following a "very successful year" according to Mr Roger Looker, chairman.

Profits before tax amounted to £727,000 against losses last time of £493,000. Turnover dipped to £7.62m (£8.83m).

Reorganisation at the beginning of the year resulted in significantly reduced overheads and a 29 per cent reduction in average staff numbers. Gearing fell from 40 per cent to negligible levels by end-December, Mr Looker said.

The proposed final dividend is doubled to 1.2p making 2.2p (2p) for the year, covered twice by earnings of 4.82p (losses of 3.36p) per share.

Merchants Trust net assets ahead

The net asset value of The Merchants Trust rose from 213.37p to 234.34p per share over the 12 months to January 31.

Available revenue was virtually unchanged at £11m (£11.1m), equivalent to earnings of 10.76p (10.84p) per share. A recommended final of 2.65p lifts the total for the year to 10.6p (10p).

High-Point returns to the black

Rationalisation and cost-cutting measures enabled High-Point, the consulting engineer, to return to profit in the six months to November 30, with a pre-tax surplus of £166,000, against a £64,000 loss last time.

Operating profit was £1.06m, with £969,000 from continuing operations.

Despite the improvement however, there is no interim dividend. Last year's payment was 1.3p but no final was proposed.

Turnover was lower at £26.1m (£28.1m), including £21.2m (£21.5m) from continuing operations. Earnings per share came to 3.09p (1.04p losses).

The results were prepared in accordance with FRS 3.

Clondalkin slips to I£13.4m

Clondalkin Group, the Dublin-based printing and packaging company, reported 1992 pre-tax profits easing from I£13.6m to I£13.4m (£13.7m).

Trading was difficult throughout the year – particularly in the second half – leaving turnover down at I£149.6m (I£151.1m). Earnings per share were 23.39p (25.08p) and the proposed final dividend of 2.898p makes a total for the year of 4.732p (4.381p).

Jarvis Porter makes £6m purchases

Jarvis Porter, the Leeds-based printing and packaging group, had increased its share of the self-adhesive labels market, with the purchase of Dolphin from the Williams Lea Group and Irwin Packaging for £6.1m.

Readymix shows drop in margins

Readymix, the Irish building materials group, reported pre-tax profits down from I£3.63m to I£3m (£3.09m) for 1992, on lower turnover of £30.8m (£31.7m).

The directors said that in "one of the toughest and most competitive years" experienced, the group maintained its market share and position in the industry.

The dividend is raised by 5.5 per cent, a final of 2.35p making a total of 2.91p (2.76p), more than twice covered by earnings of 6.57p (8.05p) per share.

Platon in talks with third parties

Platon International, the USM-quoted instrumentation group which has rejected an offer from Wills Group, confirmed that it has received approaches from third parties and was in talks which may or may not lead to an alternative offer.

Last Friday, Wills, an industrial, electronic and automotive products company, announced that it had acquired 30,000 Platon ordinary shares (0.03 per cent) at 26½p each. Wills has received irrevocable undertakings to accept the offer from shareholders holding a further 15.7 per cent of the equity.

Seton pays £2.8m for Boots brands

Seton Heathcare Group has acquired 10 over-ther-counter brands from Crookes Heathcare, the Boots offshoot.

Consideration for the products, which include Famel cough remedy, Acriflex antiseptic cream and Sea Legs travel sickness remedy, amounted to £2.8m cash.

Supply-demand worries push oil prices lower

By Deborah Hargreaves

AN ACTIVE OIL market pushed prices for North Sea Brent crude down by 25 cents yesterday to $19.20 a barrel for April delivery as traders worried about low demand and high output.

The monthly oil report from the International Energy Agency, the west's oil watchdog, provided the focus for market fears and triggered a sell-off.

The report highlighted the weakness of oil demand by pointing to an increase of only 100,000 barrels a day in OECD consumption in the first quarter – a rise of only 0.5 per cent compared with the same period last year.

At the same time, the IEA estimated that production by the Organisation of Petroleum Exporting Countries rose to 25.35m b/d in February from 25.2m b/d in January. Opec has agreed to cut output to 23.58m b/d from the beginning of this month.

Within the Opec production forecasts, traders were concerned at the high level of Iranian output, estimated to have reached 3.8m b/d last month, with Kuwait pumping 1.7m b/d.

Oil prices have risen by at least $1 a barrel in the past few weeks as Opec has reasserted its commitment to cut production. "We've travelled some distance on the back of rhetoric, but I don't think we've broken down yet," said Mr Peter Gignoux, who runs Smith Barney's energy desk in London.

Uniform CIS pipeline rules urged

By Deborah Hargreaves

THE FORMER Soviet Union must agree uniform rules covering its oil pipeline network or billions of dollars of western investment in the country's oil industry will be jeopardised, according to a report by the World Bank.

"Transport issues are first and foremost in deciding western investment. It is crucial that a regime is worked out," said Mr Richard Hildahl, pipeline expert from Ernst and Young in San Francisco and one of the report's authors.

Western companies such as Chevron, British Petroleum and Amoco are considering expenditure of at least $10bn on pipeline links to export oil from joint ventures in former Soviet republics, but they need a stable framework for transport to be agreed in advance.

The break-up of the Soviet Union means that the republics control each part of the national pipeline network that runs across their territory. This leads to varying tariffs for oil transport, increased bureaucracy and frequent rows between republics over payment.

Russia has recently finalised a deal after a bitter dispute with the Ukraine over the gas pipeline that runs to western Europe over the Ukraine.

Mr Hildahl stresses that it would be fairly easy for the republics to agree a common framework in which the pipeline system could operate.

The World Bank recommendations will be presented to Russia's Ministry of Fuel and Power, Transneft, the pipeline company, and all of the republics next month.

The report strongly advocates the creation of joint-stock companies for each republic's transit system. In this way, the republics could then swap shares in their local pipeline network for shares in Russia's Transneft. The cross-shareholdings would mean the transportation system starts to operate as more of an integrated network.

This would have to be backed up by regulation of transit prices and investment plans in order to secure as much flexibility in the system as possible.

In addition, local companies that have difficulties securing payment of transit tariffs from oil producers and refiners would be allowed to sell part of the oil in the pipeline as payment.

Mr Hildahl also points out that local pipeline associations must have assets such as pumping stations and property rights transferred to them.

The World Bank is expected to make its recommendations contingent on further aid for oil projects in the former Soviet Union.

Azerbaijan's oil minister has begun talks in Ankara that will focus on proposals to build a pipeline to Turkey's Mediterranean coast, according to a Turkish official, reports Reuter. He said Azeri oil minister Mr Sabit Bagirov would meet Turkish foreign minister Mr Hikmet Cetin and officials from the state pipeline company Botas. Talks on piping Azeri oil to Turkey's Yumurtalik terminal had so far been positive and a statement would be made next Monday, he added. One problem has been the choice of route. Turkish officials say the Azeris do not want a pipeline to pass through Armenia because of the war in Azerbaijan's Armenian-dominated enclave of Nagorno-Karabakh.

US smelters' power supply problem may continue

By Laurie Morse in Chicago

A DROUGHT-induced electricity shortage that has cut aluminium production in the Pacific north-west US by about 25 per cent may continue through this year, causing smelters to scramble to find alternative power sources or keep production capacity mothballed. With world aluminium supplies burdensome, the output reductions are not likely to support prices, but the economic impact on the region and individual producers is significant.

The Bonneville Power Administration, the federal agency that markets electricity from more than 30 dams in the Northwest has began "temporary" energy curtailments to to aluminium producers on January 16. Now, with spring thaws approaching, and water levels rising, power officials and aluminium industry executives say the situation may not improve to the point where it pays to restart closed aluminium pot lines.

"I expect current power supply problems will last at least until the end of this year," said Mr John Carr, executive director of Direct Service Industries, the organisation that represents eight aluminium companies and other industrial users arranging power contracts with Bonneville.

Of eight aluminium companies in the region, two, Reynolds and Vanalco, did not cut production after the announcement. Reynolds' Troutdale smelter was already shut in response to low prices, leaving power available to its second plant. Privately-owned Northwest Aluminum is buying higher-cost alternative power to maintain output. However, since January, Kaiser Aluminum's two smelters have reduced annual capacity by about 68,000 tonnes, the Alumax unit of Amax has cut output by 68,000 tonnes, Alcoa's is down about 42,000 tonnes, and Columbia Ventures and Columbia Falls aluminium have each pared output by more than 40,000 tonnes.

Mr Jack Speers, power manager at Alcoa, said Bonneville might have power available to provide full service to smelters for 8 to 10 weeks in late April and May, the annual "fish flush" period when dams release water to sustain Salmon migration. However, with the cost of restarting a pot line around $1m and no assurance that full power will be available through the summer, "it's unlikely that we would bring potlines up again," he said.

Extension sought to olive oil pact

By Frances Williams in Geneva

OLIVE OIL producers and consumers are meeting in Geneva this week to agree a five-year extension to the 1986 International Agreement on Olive Oil and Table Olives. The existing United Nations accord, which is designed to foster development of the industry and has no price stabilisation provisions, expires at the end of this year.

The draft protocol to extend the agreement was approved last November by the Madrid-based International Olive Oil Council, and is not controversial. The nine members of the accord – Algeria, Cyprus, the European Community, Egypt, Israel, Morocco, Tunisia, Turkey and the former Yugoslavia – account for more than 96 per cent of world exports of olive oil and 87 per cent of world exports of table olives.

The EC is by far the biggest producer, consumer and exporter of olive oil, with Greece, Italy and Spain accounting for three-quarters of world output and half world exports. Since the early 1980s, Spain has displaced Italy as the biggest EC exporter, with a third of world exports, but outside the EC it is matched by Tunisia which also has a one-third export share.

Spain is the biggest producer and exporter of table olives, with 45 per cent of world exports, followed by Morocco with 24 per cent.

The EC also imports large quantities of olive oil and table olives, accounting for 30 per cent of world olive oil imports – but the US is close behind.

Olive oil makes up 6 per cent by volume of all fluid edible vegetable oil traded but represents 23 per cent by value (including intra-EC trade). Olive oil prices rose sharply between 1985-86 and 1990-91, declining slightly in 1991-92.

Pound's slide brings arable bonanza

David Blackwell on the transformed outlook for some UK farmers

THE DEVALUATION of the "green pound" by more than 20 per cent since September has transformed the outlook for profit on UK arable farms this year, more than wiping out the effect of reforms to the European Community's common agricultural policy.

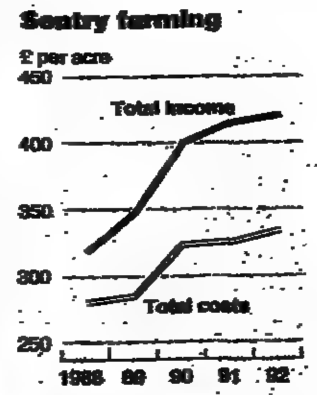
Figures given at a London conference last month – before last week's further 1.3 per cent devaluation of the green pound – showed that a 200-hectare (500-acre) mainly cereal farm getting average yields, which earned £18,000 before CAP reform, had been facing a drop in income to only £7,000 this year. But the UK's withdrawal from the exchange rate mechanism and the subsequent devaluation of the pound had pushed prospective earnings up to about £32,000.

The figures given for a similar-sized farm achieving above average yields were £38,000 before CAP reform, £13,000 after and £45,000 since devaluation.

Mr Bill Hall, head of the Agricultural Development and Advisory Service, described the figures as "quite remarkable". Farms that had been querying their viability had seen their profit prospects jump fourfold, be told the conference.

Under the CAP reforms, aid is being switched to area payments while intervention prices are cut. The green pound system is used to convert EC support prices, which are set in European currency units, into national currencies. In the past the green rate was set each year by EC farm ministers, but since the advent of the Single European Market on January 1 it is being revised at the end of each month.

Sentry farming



Mr Andrew Mason, managing director of Sentry, a farm management company with 44,000 acres under its control, believed the devaluation had created a unique "window of opportunity" for the UK farmers. "We have a one to two year period when profitability for UK arable agriculture has increased very substantially," he said.

He outlined the increased prices he was expecting sector by sector. The market value of oilseeds had risen from £100 to £140 a tonne, while the EC acreage payment had risen from £155 to £185. Basic feed wheat was selling for £93 a tonne in September; now it was fetching £103 a tonne, while the acreage payment had gone from £47 to £55. The market price of pulses had moved from £90 to nearly £110, while the acreage payment was up to £155 from £125.

Sentry will also be setting aside 8 per cent of its land, equal to 15 per cent of its grain area, and is expecting about £100 an acre for 3,000 acres.

"We were already making a profit," said Mr Mason. "Now we expect a 20 to 25 per cent rise in our margins this year, with cost increases basically nil. The seeds were there, the fertiliser was paid for at a fixed price and contracts were signed."

Sentry, which made £800,000 on turnover of about £5m last year, predicts profits this year of £1.1m. Mr Mason attributed half the increase to the green pound and half to expansion and improved efficiency.

Booker Farming, with 50,000 acres farmed and managed, estimated last month that a 500-acre farm's profits would be bolstered from £17,474 to £33,474 through the green pound effect.

Mr Malcolm McAllister, managing director, warned, however, that by 1995 the same farm's earnings would be down to just under £19,000 as the CAP reforms began to bite and the inflationary pressure on inputs came through. "The costs of the pound will eventually hit agriculture very very hard."

The importance of the currency factor is illustrated by Booker Farming's decision this year for the first time to hedge the Ecu against the pound. "We have locked in half our area aid payments, including set-aside," Mr McAllister said.

Farming is becoming a very detailed business, with computers as necessary as tractors. Sentry has computerised records for every input in every field – routine at this level of the business.

But it is now as important to watch currency fluctuations as the weather. "Profits will be extremely dependent on the way the pound moves. Until we either rejoin the ERM or some other mechanism volatility is going to be there in the prices we achieve," said Adas's Mr Hall. EC payments are dependent on the level of the pound on July 1.

It was inevitable that producers would have to cope with more ups and downs than they had been used to, Mr Hall warned. He also foresaw further reforms to the CAP – perhaps an increase in the amount of land to be set aside.

Such pressure would lead to an increase in contract farming with companies like Booker, which took 25 per cent more land last year. Mr Hall said farmers had to realise that contractors could look after a farm at £80 to £100 an acre. "That is the bottom line comparison if you want to be competitive."

Mr McAllister said farm owners were turning to contracting to eliminate the risk of running their own enterprise and guarantee a forecastable income. For those who wanted to remain independent he warned that this year's expected windfall profit should not be seen as an opportunity to spend too much on reinvestment. "You are immediately raising costs, even though the interest rates are low, by taking on a lot more depreciation. I would say don't – use the money to restructure your business."

Mr Mason also warned against complacency. "The message is you have an opportunity to put yourself right. But be quick – it's going to get very much harder very quickly."

Tractor registrations fall another 6.4%

By Andrew Baxter

TRACTOR registrations in the UK fell 6.4 per cent last year to a historic low of 14,296, further underlining the extreme concern of Britain's farmers over their future, according to the London-based Corporate Intelligence Group.

Last year's total compared with 15,280 in 1991, and with 39,703 when the market peaked in 1968. The figures are produced by the Agricultural Equipment Association.

The group said the market held up better in livestock areas such as the West Midlands and Wales. This was because the dairy industry was in a period of great change, with some farmers building themselves a future with the latest equipment, while others were leaving the industry.

"In the long term there will certainly be many fewer producers in the UK, but in the short term the level of investment in machinery is quite high," said the group.

Beef producers were also reasonably confident about slightly higher prices this year because of the UK's position within the EC's system of supports for beef rearing. Eastern England and Yorkshire, where cereals are dominant, showed the biggest falls in tractor registrations last year.

The trend in favour of larger tractors continued with farmers "trading up" to save labour.

Registrations in the 101-120 hp range rose 14.1 per cent to 1,876, while the 71-80 hp category fell 24.7 per cent to 2,399. "Simple replacement with a machine of the same size but featuring a smarter cab is a luxury of the past," said the group. "Every pound spent has to be carefully considered."

FAO cuts estimate of tropical forest loss

By David Blackwell

THE UN's Food and Agriculture organisation has reduced its estimate of the rate at which tropical forests were being cut down in the 1980s. But it still puts the annual loss at a much higher level than at the start of the decade.

The FAO's new estimate of 15.4m hectares a year is down from the interim figure of 16.9m ha presented to the Earth Summit in Rio de Janeiro last year, but well above the 11.4m ha of 1980. It now estimates that the area lost between 1981 and 1990 was 154m ha, leaving 1.75bn ha, or 37 per cent of the planet, covered in tropical forest.

Most of the loss is attributed to population growth and rural poverty, resulting in land clearance for agriculture. The organisation estimates that at least 10m ha a year will have to be cleared for agriculture because of population pressures up to the year 2050.

Worldwide re-afforestation is put at only 18m ha for the whole of the 1980s. In Europe the forested area is put at 149m ha, up from 137m ha in 1980.

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD was fixed at $327.50 a troy ounce on the London bullion market after a fixing session stretching over 40 minutes following US fund selling on Comex and to a lesser extent in London, dealers said. The fix and subsequent trading edged gold just below the $328-$330 an ounce range which had become well established in the past couple of weeks. Some analysts believe the market could now slip through the $320s if stop-loss selling continues in the absence of resolute buying. Three-month **COPPER** moved above $2,150 a tonne on the LME, helped by trends in New York, where sentiment has been lifted by the recent positive US employment report. Three-month **ALUMINIUM** moved below $1,180 a tonne, while three-month **NICKEL** moved above $6,000 a tonne. London **COCOA** edged ahead on the absence of the selling which pushed May below £700 a tonne last week. Last week's Geneva negotiations on an international agreement were already discounted.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Apr)		+ or -
Dubai	$16.69-6.74	-.300
Brent Blend (dated)	$19.23-9.25	-.305
Brent Blend (Apr)	$19.13-9.15	-.335
W.T.I (1 pm est)	$20.60-0.64	-.385

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$197-200	-0.5
Gas Oil	$177-178	-4
Heavy Fuel Oil	$77-79	
Naphtha	$173-174	-4
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$327.15	-2.5
Silver (per troy oz)♣	357.0c	-4
Platinum (per troy oz)	$341.85	-3.45
Palladium (per troy oz)	$104.35	-0.4
Copper (US Producer)	89.50c	
Lead (US Producer)	33.5c	-1.13
Tin (Kuala Lumpur market)	14.62r	+0.12
Tin (New York)	282.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	138.03	+3.95*
Sheep (live weight)†♣	120.87	-0.39*
Pigs (live weight)†	92.02	+3.76*
London daily sugar (raw)	$250.0	-2.0
London daily sugar (white)	$277.0	-0.5
Tate and Lyle export price	£284.0	
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£169.0	
Wheat (US Dark Northern)	Unq	
Rubber (Apr)♥	64.00p	
Rubber (May)♥	64.50p	
Rubber (KL RSS No 1 Feb)	223.5m	+0.05
Coconut oil (Philippines)§	$450.0y	+7.5
Palm Oil (Malaysian)§	$410z	-10
Copra (Philippines)§	$280.0	+5
Soyabeans (US)	£182.5u	+0.5
Cotton "A" Index	61.65c	
Wooltops (64s Super)	397p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg y-Apr/May u-Mar/Apr. x-Aug. w-Feb/Mar z-Mar. ♥London physical §CIF Rotterdam. ♣ Bullion market close m-Malaysian cents/kg ♣Sheep prices are now live weight prices * change from a week ago, provisional prices

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
May	223.00	223.00	222.80	
Aug	227.00		226.60	
Oct	211.00	211.00	210.80	
White	**Close**	**Previous**	**High/Low**	
May	274.50	273.00	274.50	272.50
Aug	278.00	276.50	278.50	276.50
Oct	256.50	256.50	256.20	254.00
Dec	253.70		253.70	
Mar	253.60		253.50	252.00

Turnover: Raw 22 (78) lots of 50 tonnes. White 1552 (1504) Paris- White (FFr per tonne): May 1583.36 Aug 1603.78

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Apr	19.15	19.37	19.36	19.11
May	19.16	19.35	19.34	19.13
Jun	19.22	19.39	19.31	19.17
Jul	19.24	19.40	19.32	19.19
Aug	19.21	19.40	19.33	19.20
Sep	19.24	19.45	19.31	19.20
IPE Index	19.40	19.31		

Turnover 35000 (45086)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Mar	175.00	179.25	178.25	175.00
Apr	174.75	178.50	177.00	174.75
May	175.00	177.00	178.25	174.75
Jun	175.00	177.00	176.00	175.00
Jul	176.00	177.75	176.50	176.00
Aug	178.25	179.50	178.50	177.75
Nov	*183.50*	*185.75*	*184.50*	*183.50*

Turnover 19812 (18554) lots of 100 tonnes

TEA

There was good general demand reports the Tea Broker's Association. Bright liquoring East Africans and good medium descriptions were 5 to 10p easier with quality. Plainer sorts and selected mediums remained firm and sometimes dearer. Dusts proved a weak feature throughout. Offshore good demand but brighter Kenyas tended easier. Central African teas were well supported at fully firm rates. The highest price realised this week was 175p for a Rwanda pf.1 and pd. Quotations: quality 160p/kg, nom good medium 145p/kg, medium 135p/kg, low medium 110p/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Mar	707	698	707	700
May	714	709	717	711
Jul	726	721	729	725
Sep	737	733	741	734
Dec	757	751	758	752
Mar	776	771	778	772
May	789	786	791	786
Jul	804	800	805	803
Sep	819	815	821	818
Dec	844		844	

Turnover: 3414 (7051) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Mar 5 702.86 (703.54) 10 day average for Mar 5 736.71 (730.28)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Mar	984	1000	987	950
May	932	940	935	928
Jul	900	905	902	892
Sep	907	910	907	903
Nov	912	920	912	
Jan	922	930	922	

Turnover:987 (1842) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Mar 5: Comp. daily 58.81 (57.54) 15 day average 57.54 (57.82)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	40.0	40.0	40.0	39.8

Turnover 9 (36) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Apr	151.00	-	

Turnover 0 (0) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Mar	1410	1410	1410	1407
Apr	1409	1410	1420	1409
May	1370	1370	1375	1370
Jul	1210		1212	1210
Oct	1352	1369	1369	1352
BFI	1389	1365	1389	

Turnover 168 (285)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Mar	144.50	145.00	144.50	144.50
May	146.50	146.25	146.50	145.50
Jun	147.00	147.50	147.45	147.00
Nov	110.75	111.00	110.75	
Barley	**Close**	**Previous**	**High/Low**	
Mar	141.25	141.00	141.25	141.25
Sep	106.65	107.00	106.65	106.05
Nov	109.50		109.50	109.40
Mar	114.90		114.90	114.90

Turnover: Wheat 144 (182). Barley 60 (58). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Apr	116.7	116.0	116.0	
May	116.0	116.0	116.0	
Jun	113.0	112.0	112.5	112.0
Aug	107.0	105.5	106.0	

Turnover:42 (72) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 31,715 lots
Cash	1155.5-56.5	1162-3	1165.5	1155.5-56		
3 months	1176.5-77	1183-4	1178/1174	1176-76.5	1179-79.5	161,602 lots
Copper, Grade A (£ per tonne)						Total daily turnover 41,448 lots
Cash	1478-79	1474-5	1479/1478	1478.5-79		
3 months	1502-03.5	1497.5-8.0	1506.5/1501	1505-05.5	1505-05.5	157,911 lots
Lead (£ per tonne)						Total daily turnover 2,399 lots
Cash	283.5-84.0	284-5		283-83.5		
3 months	293-93.5	293-3.5	294/293	293.5-94	293.5-94	18,079 lots
Nickel ($ per tonne)						Total daily turnover 6,231 lots
Cash	5970-80	5990-5		5980-90		
3 months	6035-45	5990-2	6046/6010	6040-50	6030-35	41,979 lots
Tin ($ per tonne)						Total daily turnover 1,395 lots
Cash	5680-85	5695-75		5655-60		
3 months	5720-25	5725-30	5735/5720	5715-20	5720-25	7,836 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 7,844 lots
Cash	996.5-97.5	997.5-8.5	999/998.5	999-9.5		
3 months	1015-16	1016-7	1024/1015	1017-18	1015-16	71,847 lots

LME Closing £/$ rate: SPOT: 1.4455 3 months: 1.4397 6 months: 1.4281 9 months: 1.4240

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	327.00-327.30	
Opening	328.40-328.80	
Morning fix	328.70	226.846
Afternoon fix	327.50	226.409
Day's high	328.80-329.10	
Day's low	328.80-327.10	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.73	6 months	2.50
2 months	2.69	12 months	2.51
3 months	2.52		

Silver fix	p/troy oz	US cts equiv
Spot	247.15	357.50
3 months	250.70	360.25
6 months	254.10	363.25
12 months	260.40	369.65

GOLD COINS

	$ price	£ equivalent
Krugerrand	328.50-331.50	228.00-230.00
Maple leaf	337.10-339.30	-
New Sovereign	78.00-81.00	54.00-56.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Apr	Jul	Apr	Jul
1125	43	71	3	9
1150	24	53	8	15
1175	11	38	19	25
Copper (Grade A)	**Calls**		**Puts**	
2100	60	94	15	28
2150	28	63	29	44
2200	11	40	61	70
Coffee	**May**	**Jul**	**May**	**Jul**
900	58	64	26	64
950	32	35	50	85
1000	18	23	88	133
Cocoa	**May**	**Jul**	**May**	**Jul**
725	20	41	31	41
750	12	32	48	57
775	7	24	68	74
Brent Crude	**Apr**	**May**	**Apr**	**May**
1900	27	61	11	12
1950	8	33	26	21
2000	5	16	75	38

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Mar	327.1	329.6	0	0
Apr	327.7	330.4	329.5	327.0
May	328.3	331.0	0	0
Jun	328.9	331.7	330.8	328.5
Aug	330.3	333.1	331.8	330.2
Oct	331.8	334.6	333.4	333.3
Dec	333.2	336.0	334.4	332.7
Feb	334.7	337.5	334.3	334.3

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	342.2	343.5	343.0	341.0
Jul	340.7	342.0	341.0	340.5
Oct	339.2	340.5	0	0
Jan	337.7	339.0	339.0	339.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Mar	353.6	357.1	358.5	359.0
Apr	354.7	358.2	0	0
May	355.8	359.3	358.0	355.0
Jul	358.2	361.7	360.5	357.5
Sep	360.7	364.2	361.0	360.0
Dec	364.3	367.8	366.0	364.0
Jan	364.7	368.2	0	0
Mar	368.0	371.5	369.0	369.0
May	370.6	374.1	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	95.05	94.85	95.70	95.00
Apr	95.35	95.10	95.85	95.35
May	95.70	95.50	96.40	95.55
Jun	96.05	95.85	96.50	96.50
Jul	96.40	96.25	97.00	95.40
Aug	96.75	96.65	97.30	97.30
Sep	97.10	97.00	97.90	97.40

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Apr	20.68	20.93	20.83	20.61
May	20.78	20.97	20.88	20.70
Jun	20.80	20.97	20.90	20.73
Jul	20.80	20.95	20.88	20.75
Aug	20.80	20.92	20.88	20.74
Sep	20.78	20.90	20.84	20.75
Oct	20.81	20.89	20.87	20.81
Nov	20.75	20.88	20.78	20.72
Dec	20.71	20.86	20.85	20.71
Jan	20.70	20.83	20.74	20.70

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Apr	58.00	59.25	58.90	57.85
May	57.30	58.06	57.75	57.10
Jun	56.75	57.35	57.00	56.55
Jul	56.80	57.23	56.95	56.60
Aug	57.40	57.78	57.55	57.36
Sep	58.25	58.78	58.40	58.25
Oct	59.35	59.78	59.75	59.15
Nov	60.10	60.63	60.25	60.10
Dec	61.00	61.48	61.20	61.00
Jan	61.05	61.83	61.65	61.65

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	870	855	879	876
May	892	885	899	883
Jul	918	912	925	910
Sep	944	936	948	932
Dec	975	967	984	967
Mar	1008	1000	1013	1000
May	1030	1022	0	0
Jul	1051	1043	0	0
Sep	1079	1071	1071	1071
Dec	1104	1096	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	61.50	62.05	61.50	61.10
May	63.30	64.25	63.85	62.45
Jul	65.30	66.15	65.55	64.50
Sep	67.15	67.80	67.15	66.45
Dec	70.15	70.50	70.25	69.50
Mar	72.60	72.65	72.00	72.00
May	74.60	74.65	74.00	74.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	10.01	10.09	10.09	9.96
Jul	10.14	10.25	10.25	10.14
Oct	9.40	9.50	9.49	9.39
Mar	9.09	9.18	9.15	9.09
May	9.05	9.15	9.15	9.08
Jul	9.05	9.15	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	62.00	63.40	63.40	61.90
May	62.20	62.62	62.69	62.04
Jul	63.28	63.58	63.65	63.08
Oct	62.88	62.95	63.00	62.75
Dec	61.75	61.77	61.85	61.50
Mar	62.50	62.45	0	0
May	63.05	63.02	0	0
Jul	63.60	63.60	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	79.25	75.30	79.30	78.50
May	81.65	77.85	81.80	78.75
Jul	84.45	80.75	84.75	81.80
Sep	87.20	83.65	87.20	84.75
Nov	88.50	86.00	88.50	87.05
Jan	90.85	87.75	91.50	89.50
Mar	92.05	89.50	92.00	91.00
May	92.05	90.00	0	0
Jul	92.05	90.00	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Mar.8	Mar 5	mnth ago	yr ago
1760.2	1762.7	1750.7	1614.0

DOW JONES (Base: Dec. 31 1974 = 100)

	Mar.5	Mar 4	mnth ago	yr ago
Spot	124.08	124.63	122.00	117.84
Futures	[illegible]	[illegible]	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	573/4	575/6	579/4	573/0
May	576/2	578/6	582/0	576/0
Jul	581/0	583/6	587/0	580/6
Aug	583/6	586/4	590/0	583/0
Sep	584/4	586/4	590/4	584/4
Nov	590/4	592/2	596/4	590/0
Jan	597/2	599/2	603/0	597/2
Mar	605/0	607/0	610/0	605/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	20.95	21.21	21.35	20.90
May	21.12	21.45	21.52	21.10
Jul	21.29	21.58	21.62	21.25
Aug	21.34	21.72	21.60	21.32
Sep	21.37	21.76	21.50	21.37
Oct	21.37	21.76	0	0
Dec	21.37	21.87	22.00	21.51
Jan	21.53	21.90	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	175.8	176.6	177.0	175.7
May	177.4	178.1	178.8	177.3
Jul	179.7	180.2	181.0	179.6
Aug	181.0	181.2	182.2	181.0
Sep	182.2	182.5	183.6	182.2
Oct	183.5	183.8	185.2	183.5
Dec	185.5	185.5	186.0	186.3
Jan	186.6	186.8	188.0	186.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	213/6	213/6	214/2	213/0
May	221/0	221/2	221/4	220/4
Jul	227/6	228/2	228/4	227/4
Sep	233/6	234/2	234/2	233/4
Dec	241/2	241/4	242/0	240/6
Mar	247/6	248/2	248/2	247/4
May	252/0	251/6	252/0	252/0
Dec	249/0	250/2	250/0	249/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	370/6	368/2	374/4	368/0
May	338/4	337/4	342/2	336/0
Jul	313/6	318/6	320/6	313/4
Sep	317/2	318/6	323/4	317/0
Dec	325/6	328/2	332/0	325/0
Mar	329/4	333/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	81.850	80.950	82.200	81.000
Jun	75.975	75.425	76.100	75.500
Aug	71.875	71.725	72.325	71.775
Oct	73.125	72.700	73.475	72.875
Dec	73.900	73.550	74.000	73.550
Feb	73.225	72.850	73.550	73.200
Apr	74.400	74.000	74.550	74.075

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	48.750	47.250	48.750	47.275
Jun	54.100	52.675	54.175	52.800
Jul	52.400	50.950	52.450	50.900
Aug	49.375	47.875	49.375	47.875
Oct	44.250	42.750	44.250	42.850
Dec	45.425	44.075	45.575	44.400
Feb	45.400	44.075	45.575	44.300
Apr	44.100	43.200	44.100	43.150

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	47.175	46.175	47.175	47.100
May	46.225	46.225	46.225	46.225
Jul	46.450	46.450	46.450	46.450
Aug	47.050	45.050	47.050	47.000
Feb	52.825	50.825	[illegible]	[illegible]

New peaks in confident stock market

By Terry Byland, UK Stock Market Editor

FALLING bond yields, reports of improving business confidence, and expectations of a base rate cut in next week's Budget, touched off a burst of optimism on the London stock market yesterday. The FT-SE 100 Index broke through an important testing level to reach another closing high.

A final boost to UK shares came when Wall Street opened with a gain of 30 Dow points in early trading. London had earlier responded strongly to the announcement that January had brought the largest rise in domestic consumer credit since July 1991. Equity traders were cheered by indications from a firmer UK government bond market that the credit figures had signalled economic recovery without rekindling inflation fears.

However, the stock market was slow to make progress at first and the upswing, when it came, owed much to a powerful squeeze in the stock index futures sector which quickly translated into heavy basket trading between futures and underlying equities. Sellers of the March future on the FT-SE 100 rushed to buy stock in an equity market where market-makers could find no shares on offer.

Until Wall Street opened, London was content to challenge the Footsie testing area of around 2,950. But when New York, also after some hesitation, advanced strongly, UK equities burst through to show a rise of more than 36 points on the FT-SE 100 Index, before settling at 2,957.3 for a gain on the day of 35.2. Also at yet another all-time high was the FT-SE Mid 250 Index, 11.8 stronger at 3,119.7.

While expressing some caution over the quality of yesterday's advance, equity strategists believed that the stock market is now likely to clear the Footsie 3,000 mark in the near term. However, most expect to see profit-takers appear above that level.

Some modest fiscal tightening, perhaps in the form of VAT taxes on food or books, is expected when Mr Norman Lamont, the UK chancellor of the exchequer, delivers his Budget a week today. But the City of London is also confident that the Budget season will also bring a further cut in UK interest rates. Sterling's success in holding above DM2.40 yesterday buttressed confidence that UK interest rates can be reduced, especially if the Bundesbank eases rates further.

Optimism on economic recovery was encouraged by reports from the Institute of Directors of increasing confidence in Britain's boardrooms, and inflation worries checked by a prediction from the Confederation of British Industry that manufacturing wage settlements are now running at below 2.5 per cent.

Trading volume was good but not outstandingly so, with the day's Seaq total of 653.4m shares, of which about 64 per cent was in non-Footsie stocks, comparing with 860.9m in the previous trading session; Friday's Seaq turnover was worth £1.42bn at retail level.

Some strategists, urging caution, pointed to the potential shocks lurking for the stock market on a company news front still smarting from last week's decision by Barclays to cut the dividend.

Rights issue fears also continue to unsettle the stock market, with the signs of renewed takeover interest increasing the chances that predators may come to the equity sector for funding.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ASDA Group	14,000	68¼	+2	Courtaulds	1,200	604	+8
Abbey National	5,300	388	+3	Dalgety	282	474	+1
Allam Foster	6,600	73	+2	De La Rue	445	684	+5
Allied-Lyons	1,200	593	+14	Dixons	3,100	224	-1
Amstrad	3,900	29½	+1½	Eastern Elect.	952	474	-2
Anglian Water	461	327	-1	East Midland Elect.	1,100	458	-7
Argos	840	297	+7	Eng China Clays	626	479	+5
Argyll Group	3,300	393	+2	Enterprise Oil	2,800	497	+9
Arjo Wiggins	1,400	185	+1	Eurotunnel Units	1,500	468	+4
Ass. Brit. Foods	505	507	-2	FKI	1,100	128½	-½
Ass. Brit. Ports	170	[illegible]	+6	Fisons	4,400	208	-3
BAA	1,100	784	+10	Foreign & Col. I.T.	673	227	+2
BAT Inds	3,400	950	+15	Forte	3,000	204	+5
BET	1,800	[illegible]	+3	Gen. Accident	604	603	+6
BICC	993	376	+2	General Elect.	4,100	317½	-1
BOC	739	703	+8	Glaxo	11,000	652	-8
BP	[illegible]	290		Glynwed Int.	1,100	289	-2
BPB Inds.	3,400	218	-3	Granada	1,500	382	+1
BT	8,800	441½	+8½	Grand Met.	3,800	468	+9
BTR	2,700	590	+6	GUS A	199	1700	+10
Bank of Scotland	[illegible]	135	+3	GRE	1,300	182	+4
Barclays	7,000	421	+13	GKN	1,400	481	+1
Bass	1,100	593	+13	Guinness	4,500	487	+20
Berisford Int.	387	130	+2	HSBC (75p shs)	2,100	645	+11
Blue Circle	1,900	238	+1	Hammerson 'A'	540	338	+6
Booker	395	447	+1	Hanson	4,700	257½	+2½
Boots	1,800	515	+18	Hanson Warrants	1,300	29½	
Bowater	1,700	516		Harrisons Crosfield	1,600	135	+8
Brit. Aerospace	746	277	+1	Hillsdown	2,100	163	+1
British Airways	2,200	294½	+4½	IMI	1,300	272	-4
British Gas	7,800	309	+2½	ICI	2,000	1240	-5
British Land	246	246	+3	Inchcape	826	632	+2
British Steel	6,100	67¼	+1½	Johnson Matthey	283	464	-1
Bunzl	247	129		Kingfisher	1,600	544	+2
Burmah Castrol	933	720	+4	Kwik Save	89	542	+8
Burton	2,400	78	+2	Ladbroke	4,400	210	+7½
Cable & Wire.	1,100	703	+10	Land Securities	453	487	+6
Cadbury Schweppes	[illegible]	480	+4	Laporte	186	694	+4
Calor Group	484	245	+2	Legal & General	392	465	+10
Carlton Comms.	155	705	+9	Lloyds Abbey	647	444	+4
Coats Viyella	1,600	[illegible]	+1	Lloyds Bank	5,600	559	+7
Comm. Union	265	585	+14	LASMO	5,400	191	+6
Cookson	1,900	192	-1	London Elect.	184	473	-4

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
Lonrho	1,000	84	-2	Shell Transport	3,800	578	+4
Lucas	1,500	142	-1	Siebe	785	499	+11
MB Caradon	443	338	+8	Slough Ests	112	191	
MEPC	127	378		Smith (W.H.) A	370	429	
Manweb	212	536	-4	Smith & Nephew	3,000	157	+2
Marks & Spencer	5,300	347½	+6½	SmKl Beecham	2,800	484	+8
Midlands Elect.	787	499	-10	SmKl Beecham Uts.	1,500	408	+9
Morrison (Wm)	867	172	+1	Smiths Inds.	436	364	+3
NFC	1,600	[illegible]	+8	Southern Elect.	499	478½	+½
NatWest Bank	3,200	454	+17	South Wales Elect.	119	541	-6
National Power	3,100	393½	+7½	South West Water	244	642	-2
Next	2,700	159½	+1½	South West. Elect.	197	489	-5
…	725	866	+17	Vodafone	1,700	416	+1½
…	1,600	259	+6	Warburg (SG)	93	694	
…	2,200	304	+7	Wellcome	865	901	-1
…	457	189	-6	Welsh Water	582	583	-2
…	1,100	540	+6	Wessex Water	93	619	-2
…	2,100	458	+17	Whitbread 'A'	1,700	465	+10
…	1,100	257½	+1½	Williams Hldgs.	910	368	-1
…	1,800	347	+6	Willis Corroon	1,200	194	+7
…	3,300	104	+½	Wimpey	812	189	-1
…	1,200	[illegible]	+4	Wolseley	380	573	+8
…	193	808	-2	Yorkshire Elect.	388	528	-2
…	808	601	-1	Yorkshire Water	305	558	+8

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:		
Mar 1	Mar 15	Mar 29
Option Declarations:		
Mar 11	Mar 25	Apr 15
Last Dealings:		
Mar 12	Mar 26	Apr 16
Account Day:		
Mar 22	Apr 5	Apr 26

*New time dealings may take place from 8.30am two business days earlier.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2957.3 +35.2	3119.7 +11.8	1438.22 +14.09

	Mar 8	Day's change %	Mar 5	Mar 4	Mar 3	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd
FT-SE 100	2957.3	+1.2	2922.1	2904.8	2918.6	2550.7	6.13	4.07	20.63	[illegible]
FT-SE Mid 250	3119.7	+0.4	3107.9	3087.9	3077.9	2523.6	6.81	4.10	[illegible]	9.00
FT-SE-A 350	1457.1	+1.0	1442.3	1433.6	1438.0	1240.2	6.24	4.08	20.44	6.11
FT-SE SmallCap	1560.93	+0.4	1554.98	1549.16	1549.02	–	5.25	4.09	26.59	5.79
FT-SE SmallCap ex Inv Trusts	1564.72	+0.4	1559.08	1553.04	1553.00	–	5.84	4.35	24.49	5.02
FT-A ALL-SHARE	1438.22	+1.0	1424.13	1415.75	[illegible]	1225.54	6.18	4.08	20.72	5.98
1 CAPITAL GOODS(211)	962.44	+0.5	957.48	951.54	951.08	804.24	5.83	4.39	22.41	1.70
2 Building Materials(27)	991.62	—	991.84	980.51	982.75	986.46	5.24	5.32	26.97	0.77
3 Contracting, Construction(29)	824.99	+0.3	822.43	823.55	825.75	911.60	3.00	5.63	60.001	1.66
4 Electricals(14)	2771.86	+0.6	2754.08	2746.95	2721.95	2521.53	5.27	5.23	25.00	3.25
5 Electronics(35)	2619.10	+0.1	2617.73	2598.44	2576.51	1880.73	6.08	3.26	20.81	15.06
6 Engineering-Aerospace(7)	365.33	+0.9	361.94	359.26	355.52	350.07	9.68	[illegible]	[illegible]	1.03
7 Engineering-General(52)	562.58	+0.6	559.11	557.23	556.91	501.64	7.06	4.24	18.11	1.30

MARKET REPORTERS: Christopher Price, Joel Kibazo, Steve Thompson.

■ Other market statistics, Page 21

Cook's tender debated

THE WHITE knight duly arrived at the battle for Owners Abroad, taking the shape of Thomas Cook, the German-owned travel agency group. But the stock market's view was that Cook's tender move was "too little, too late" to save the UK's second largest tour operator from the £290m bid from Airtours, its smaller rival. The tender offer is conditional on Airtours' bid lapsing.

However, analysts reported that Cook's 150p a share cash tender offer for 12.5 per cent of the Owners equity had attracted some interest among institutions.

Owners' management was reported to be following up what was described as a "highly positive" meeting between analysts and Thomas Cook by holding discussions with some of its larger shareholders.

Mr Bruce Jones, at Smith New Court, commented that if Owners and Thomas Cook had presented yesterday's strategic plan and offer at the beginning of the Airtours bid, then they would have been much better placed than now.

"As it is, it seems to be too little, too late and Airtours must be favourite to win," he said. Airtours shares jumped on news of the tender offer, but faded to close steady at 327½p. Owners lost 3 to 141p in turnover of 5.5m shares.

Glaxo trembles

The UK stock market shuddered and dealers marked down Glaxo shares after an article in the weekend press highlighted alleged violations of US drug laws by the UK company regarding Zantac, its anti-ulcer drug.

In spite of claims by Glaxo that the allegations "have been a matter of public record since they appeared in the US and UK pharmaceutical trade press last month", the shares were marked down to 631p by worried marketmakers. The move was largely successful and only the most bearish institutions unloaded stock into what was clearly an unwilling market.

After the early setback, the share price marked time until the US market opened. A flurry of American buying then lifted the shares to a London closing level of 652p, a net decline of 8. Turnover of 11m was well above usual.

UK drug industry specialists were surprised at the impact of the story. "It has been common knowledge that the US authorities have queried some claims, but the market had largely discounted these worries," said one analyst.

In another move, Glaxo said it had received approval from the Medicines Control Agency in the UK to market its new inhaled steroid treatment for asthma, called Flixotide.

Vickers falls

The return of speculation that engineering group Vickers will make a rights issue when it announces figures tomorrow depressed the shares. At the day's worst they were down 9 at 114p, with many market watchers increasingly convinced that such a move was imminent. Later in the day, the strong market trend helped to bring about a rally and the shares closed 4 off at 119p on trade of 2.8m.

Mr Andy Chambers at Nomura said a rights issue from Vickers "would not be surprising, given the damage to the balance sheet wrought by the losses at the Rolls-Royce subsidiary". The range of losses forecast by analysts varies between £12m and £25m.

Some slightly worrying figures on oil consumption in OECD countries during January failed to head off yet another good performance by the oil sector.

Shell managed a minor improvement at 578p in spite of a "sell" recommendation issued by NatWest Securities.

The exploration and production stocks continued to drive ahead strongly, with Enterprise up 9 more to 497p and Lasmo 6 higher at 191p.

Confirmation that Barclays chairman and chief executive Mr Andrew Buxton is to pass on some of his responsibilities to a new senior executive later this year, plus a growing feeling in the market that the shares have ridden out the storm caused by the dividend cut, promoted a good rally yesterday.

The stock price was up and running from the outset, and shrugged off attempted profit-taking and selling pressure to close the session a net 13 up at 421p – only 12 short of the level at which the shares were changing hands before the dividend reduction. Turnover totalled 7m.

NatWest also made strong progress and moved up 17 to 454p on relatively thin turnover of 3.2m. Lloyds, viewed by many fund managers as the safest bet in the sector, rose 7 to 559p on 5.5m traded.

A series of outstanding performances by Standard Chartered shares was dented by worries about the bank's losses arising from the Bombay securities market scandal last April. Standard Chartered is one of four big international banks said to have been most actively involved in the Indian market.

Standard is scheduled to report preliminary figures tomorrow with NatWest Securities forecasting pre-tax profits of £280m, compared with £205m last time. Standard shares settled 9 off at 699p after higher than usual turnover of 1.6m.

Insurance broker Willis Corroon gained 7 at 194p with dealers saying that the shares now fully discount a cut in the dividend, due to be announced tomorrow.

UBS Phillips & Drew was said to have been behind the latest selling pressure in the regional electricity companies. Midland, 10 down at 499p and East Midland, 8½ lower at 456½p were the poorest performers in the sector.

Favourable results are expected from several of the large international stocks this week. BAT Industries, which reports tomorrow, put on 15 to 950p, while BTR with results the following day rose 6 to 590p.

Figures from British Vita, the foam manufacturer, proved disappointing and the shares retreated amid a welter of downgrades. The shares tumbled 18 to 235p.

After its recent run, ICI ran into profit-taking and the shares closed 5 adrift at 1240p. So too did Thorn EMI, the shares crumbling 10 to 864p.

A 19.3 per cent increase in figures at Fairey Group helped the shares put on 10 to 590p. General investment buying of Siebe saw the shares close 11 better at 499p. Also wanted, ahead of figures on Thursday, was TI Group, 6 up at 311p.

The strong market trend assisted Rolls-Royce in shrugging off worries about the dividend, when it reports full year figures on Thursday. The shares firmed 2 to 136p, with turnover of 4m recorded in the stock by the close. Many analysts have suggested that the company is likely to halve the final dividend, with the more pessimistic ones predicting a bigger reduction.

In motors, the recent news of an improvement in UK car sales continued to boost Thomas Cowie and the shares gained another 9 to 225p.

Profit-taking restricted Associated British Food and the shares slipped 2 to 507p. The stock has been recommended by brokers recently on the back of restructuring in the bakery industry.

Buying in Amsterdam and continued US interest sustained Unilever's good post-results run. The shares put on 21 to 1238p. Weekend press comment raked up further worries over the managerial changes at Tate and Lyle and the stock fell 4 to 428p.

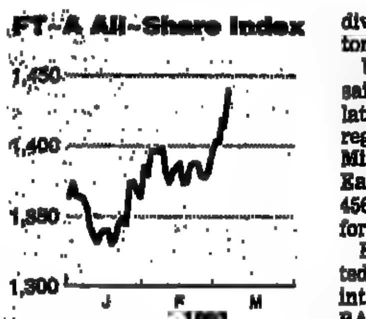
Relief over the results from Perkins Foods, together with some favourable comments about the outlook for produce prices, lifted the shares 7 to 105p.

In a muted stores sector, Body Shop reacted to talk of devaluation benefits and the shares added 10 to 185p.

Electronic components group Bowthorpe raced up 6 to 294p, responding to an aggressive buy note published by Hoare Govett, the stockbroking house.

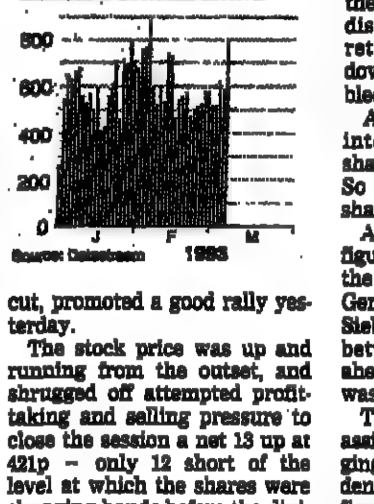
Mr James Heal at Hoare said he expected Bowthorpe to move into a new "niche" business – electronic subsystems – which he forecasts could boost earnings growth by 5 per cent over the next three years.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business & Overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (274). BRITISH FUNDS (45) OTHER FIXED INTEREST (10) AMERICANS (7) Allegheny & Wstrn., Amer. Express, Colgate-Palmolive, Lowe's, Quaker Oats, Rep NY, Time Warner, … Tewson & Chinnocks, Lend Lease, RPS, Town Centre, STORES (3) Courts, French Connection, Moss Bros., TELE NETWORKS (1) BT, TEXTS (6) Albion, Allied Text., Courtaulds, Dewhirst, Haggas, Toray, TRANSPORT (3) GATX, LOF's, Manchester Ship, WATER (3) Cheam, Northumbrian, Yorkshire, MINES (4) Cape Range, Normandy Poseidon, RTZ, Resolute Res.

NEW LOWS (4). BLDG MATLS (1) Darby, CONTG & CONSTRCN (1) Lon. & Clydeside, HOTELS & LEIS (1) Verity, TEXTS (1) House of Lerose.

FINANCIAL TIMES EQUITY INDICES

	Mar 8	Mar 5	Mar 4	Mar 3	Mar 2	Year ago	High	Low
Ordinary share	2293.4	2265.8	2256.3	2264.4	2233.3	1984.4	2293.4	1670.0
Ord. div. yield	4.26	4.30	4.31	4.30	4.35	4.51	6.34	4.23
Earning yld % (full)	5.95	5.97	5.98	5.98	6.10	8.41		
P/E ratio net	20.98	20.95	20.92	20.99	20.56	19.73	22.01	15.79
P/E ratio nil	19.34	19.37	19.34	19.40	18.46	18.74		
Gold Mines	94.0	92.6	88.6	88.8	88.1	126.5	180.6	60.0

*for 1992/93. Ordinary share index since compilation: high 2293.4 8/3/93 - low 49.4 26/6/40. Gold Mines index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71. Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2268.5	2270.7	2270.9	2274.2	2271.9	2274.4	2285.5	2281.0	2290.1	2293.4	2266.9

Volume	Mar 6	Mar 5	Mar 4	Mar 3	Mar 2	Year ago
SEAQ Bargains	42,764	36,055	35,907	35,843	31,175	34,949
Equity Turnover(£m)†	-	1415.3	1431.5	1476.6	[illegible]	700.1
Equity Bargains†	-	42,775	40,980	40,348	37,196	37,797
Shares traded (mil)†	-	800.9	592.7	624.9	528.2	343.5

† Excluding intra-market business and overseas turnover.

London report and latest Share index Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or –	1992/93 High	1992/93 Low	Yield Int.
"Shorts" (Lives up to Five Years)					
Treas 10pc 1993‡‡	100[illegible]	–⅛	101[illegible]	99[illegible]	9.96
12½pc 1993‡‡	102[illegible]	–⅛	104[illegible]	100[illegible]	12.30
Funding 6pc 1993‡‡	100[illegible]	—	100[illegible]	95[illegible]	5.99
Treas 13¾pc 1993‡‡	105[illegible]	—	107[illegible]	103[illegible]	13.01
…					
Five to Fifteen Years					
Treas 7¾pc 1998	[illegible]	+⅛	100¾	89[illegible]	7.14
Treas 6¾pc 1995-98‡‡	100[illegible]	+⅛	100[illegible]	88[illegible]	[illegible]
15½pc '98‡‡	138[illegible]	+⅛	138[illegible]	123[illegible]	11.19
Exch 12pc 1998	122[illegible]	+⅛	122[illegible]	107[illegible]	9.78
Treas 9½pc 1999‡‡	112[illegible]	+⅛	112[illegible]	97[illegible]	8.45
Exch 12¼pc 1999	124[illegible]	+⅛	124[illegible]	109½	9.82
Treas 10½pc 1999	117[illegible]	+⅛	117[illegible]	101[illegible]	8.94
Conversion 10¼pc 1999	116[illegible]	+⅛	117[illegible]	100[illegible]	8.77
9pc 2000‡‡	110[illegible]	+⅛	110[illegible]	94[illegible]	8.12
Treas 13pc 2000	131	+⅛	131	114[illegible]	9.92
10pc 2001	115[illegible]	+⅛	115[illegible]	99[illegible]	8.67
14pc '98-1	129½	+⅛	129½	115[illegible]	10.81
9¾pc 2002	114[illegible]	+⅛	114[illegible]	98[illegible]	8.63
8pc 2003 (£50 pd)	53¼	+⅛	[illegible]	46[illegible]	7.76

Continued on next page

EQUITY FUTURES AND OPTIONS TRADING

A MOOD of confidence on the outlook for the UK economy took hold yesterday in the derivatives market and led to a squeeze in the futures, writes Joel Kibazo.

The first deal in the March contract on the FT-SE 100 Index was struck at 2,934, before a sell order saw it retreat to 2,928 in the first hour of business. That cleared, the contract moved back into positive territory on sporadic buying during the rest of the morning. Increased confidence over the economy and talk of a further cut in UK base rates next week led to strong buying in the afternoon.

Such was the demand that a squeeze developed in March and a large buying order from a leading US house was said to have remained unfulfilled. Dealers also reported a sizeable amount of basket trading.

March finished at the day's high of 2,973. This was a strong premium to the underlying cash market and around 13 ahead of its fair value premium to cash of around 2. Turnover, at 8,919, was reasonable.

In traded options, a large trade in computer and electronics group Amstrad, said to have been carried out by Sheppards, made a significant contribution to the day's total volume of 34,282 lots.

The total in Amstrad was 12,890, which was followed among the stock options by Barclays, at 1,638 contracts. Some 7,669 lots were transacted in the FT-SE 100 option.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or –	1992/93 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		17¾xd	+⅛	21¼	14⅝	14,855	2.6
Allegheny & W	♥	553p	+21	553p	228p	287.4	3.7
Amdahl		553p	–5	1159p	438p	621.8	1.2
Amer Cyanamid		34⅝	–¼	38⅝	29⅝	3,121	3.3
Amer Express		17⅞xd	+⅛	17⅞	10⅞	8,514	3.9
Amer T & T		39⅞xd	+⅛	39⅞	30⅛	62,281	2.3
Ameritech		61¼	–⅛	52¼	32½	22,439	4.9
BankAmerica		33⅝xd	+⅛	37⅞	19⅛	12,274	2.7
Bankers NY		48⅝xd	+1⅛	48⅝	28⅞	3,902	4.4
Bell Atlantic		37⅞	–⅛	39⅛	23⅛	16,366	4.7
BellSouth		38½	–¼	39⅝	25	19,084	5.0
Bethlehem Steel	♥	12¼xd	+⅛	13¼	5¼	1,097	–
Bowater		1558pxd	+20	1682p	905p	563.8	1.6
CPC	b	33⅝xd	+⅛	34	22⅞	5,140	2.4
Cadiz Land Inc	♥	115p	—	342p	108p	–	–
California Engy		1428p	—	1436p	591p	258.6	–
Chase Manhattan		22½xd	+½	22½	9⅛	3,457	3.7
Chrysler		27¼xd	+½	28⅞	6¼	7,943	1.5
Citicorp		18¼xd	+⅛	18½	5⅞	6,671	–
Colgate-Palm		44½xd	+⅞	44½	25¼	7,105	1.9
Cont'l Bank		1642p	–8	1691p	499p	1,858	2.5
Dana		31⅛xd	+⅞	34⅛	14⅞	1,438	3.5
Data General		927p	—	1004p	384p	258.8	–
Decora Inds	♥	148p	—	148p	68p	–	–
Dun & Brad		39⅛	+¼	40⅞	27⅞	6,978	4.0
Eaton		58	+1½	58⅛	32½	2,005	2.6
Echlin		17⅞xd	+⅛	18⅞	7⅛	982.2	2.8

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

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FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

INVESTMENT COMPANIES

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
AIB Grofund American	5	166.3	168.2	177.0	+2.20	0.00
AIB Grofund Equity	5	209.5	212.5	224.9	+0.90	3.21
AIB Grofund Euro	5	163.4	163.8	174.3	–	0.40
AIB Grofund Exp Rebound	3	101.8	103.7	107.0	-0.10	2.28
AIB Grofund Gilt	3	78.30	78.46	80.88	+0.19	6.61
AIB Grofund Japan	5	135.8	135.6	144.6	+3.80	0.00

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corporation St, Coventry 0203 553231

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
General Inc	5	422.1	424.1	451.2	+3.0	2.40
General Acc	5	[illegible]	[illegible]	[illegible]	+3.4	2.40
UK Growth Acc	6	308.8	313.3	333.4	+1.7	2.92
UK Growth Inc	6	[illegible]	[illegible]	[illegible]	+1.2	2.92
Higher Inc Acc	6	354.9	363.5	399.5	+3.0	4.01
Higher Inc Inc	6	342.3	347.6	369.8	+1.8	4.01
Gilts/Fxd Int Acc	5½	176.5	176.5xd	186.3	+0.9	[illegible]
Gilts/Fxd Int Inc	5½	92.48	92.48xd	97.67	+0.27	[illegible]
Nth American	6	262.6	268.4	285.6	+2.0	0.00
Far East	6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Europe	6	218.1	218.1	231.1	+0.8	[illegible]
Brit Excell	6	63.83	63.83	67.91	+0.3	[illegible]
Brit Fndmntls Acc	6	84.12	84.12	89.49	+0.36	5.21
Brit Fndmntls Inc	6	[illegible]	[illegible]	70.25	[illegible]	[illegible]
Global Opps	6	[illegible]	[illegible]	74.39	[illegible]	0.08

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Gilts & Fixed Int	6	129.4	129.4xd	137.2	+0.1	[illegible]
High Inc Equity	6	148.4	151.8	161.4	+0.8	[illegible]
Worldwide Bond	6	268.1	[illegible]	[illegible]	+1.3	[illegible]
American Growth	6	294.9	294.9	315.4	+3.0	[illegible]
Asian Pacific	6	212.8	217.6	231.4	+2.4	[illegible]
Assets & Earnings	6	226.6	231.3	245.9	+1.2	2.38
Capital Reserve Acc	0	124.9	124.9	125.0	.....	[illegible]
Commodity & Energy	6	70.35	70.37xd	75.24	+1.58	2.13

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]

FT MANAGED FUNDS SERVICE

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries: 0277 227300 Dealing 0277 261010						
AES European	5	108.90	109.50	115.30	+0.20	1.40
AES Intl Bond & Gen	5	126.80	127.20	133.90	+0.40	5.50
AES Pointe Pension	7	151.7	155.6	166.4		-
AES Smaller Cos	5	61.50	63.32	66.65	+0.32	1.91
AES UK General	5	118.50	120.50	126.80	+0.40	2.72
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	391.19	391.19	416.16	+1.03	4.97
Global Inc.	5	58.27	58.27	61.99	+0.21	3.93
Brit Leaders	5	319.52	319.52	339.91	+0.73	3.01
Intl Leaders	5	188.82	188.82	200.87	+0.78	1.64
Fst Nat Bal Growth	3¼	53.29	54.55	56.68	-0.01	3
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham BR3 4TF 081-663 3003						
European Trust	6	53.08	53.18	56.57	-0.05	1.33
Far Eastern Tst	6	56.85	57.72	61.40	+0.88	1.12
Smaller Cos	5	142.1	146.5	155.9	+0.3	1.87
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American	5	274.5	274.8	291.5	-1.10	0.95
S & W Capital	5	117.2	117.2	125.3	+0.05	1.89
S & W Cash	0	102.62	102.62	102.62	+0.01	5.86
S & W European	5	116.1	116.2	122.9	-0.90	1.59
S & W Far Eastern	5	121.8	123.1	130.2	+0.40	0.00
S & W Growth	5	124.6	126.0	133.3	+0.30	1.57
S & W Income	5	111.9	113.1	119.7	+0.80	4.86
[illegible]	5	123.9	123.9	132.4	+0.03	2.06
[illegible]	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S & W Thoroughbred	5	143.6	143.6	155.6	+0.50	1.76
Societe Generale Touche Remnant (1200)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-410 4029						
American Gwth	5¼	83.92	83.92	89.75	+0.87	0
Eur Sp Sits Acc	5¼	45.78	45.78	48.66	+0.18	0
Eur Sp Sits Inc	5¼	43.24	43.24	45.95	+0.17	0
Far East Opps Inc	5¼	30.46	30.46	32.85	+0.46	0
Far East Opps Acc	5¼	31.29	31.29	33.75	+0.47	0
General Growth	5¼	98.20	98.20	105.30	+0.70	2.37
[illegible]	5¼	[illegible]	[illegible]	[illegible]	[illegible]	2.39
Global Tech	5¼	118.20	118.20	127.80	[illegible]	0
Income Growth	5¼	98.94	98.94	106.30	[illegible]	[illegible]
Income Growth Acc	5¼	100.80	100.80	108.40	+0.70	3.91

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2½	95.05	95.05	97.27	+0.98	0.00
Short Dtd Gilt	1½	110.3	110.3	111.8	+0.20	3.50
U.S. Govmnt Bond	1½	0.7119	0.7119	0.7212	[illegible]	0.00
Gilt Income	4	53.26	53.26	55.42	+0.13	8.00
Gilt Growth	4	66.31	66.31	69.02	+0.14	0.00
City Reserve	0	52.28	52.28	52.28	-	5.83
Woolwich Unit Trust Managers Ltd (1700)H						
2 White Oak Square, Swanley BR8 7AG 081 298 4000						
Stockmarket Fd F	5	67.11	67.30	71.59	+0.4	2.12

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Expt Mar 3	658.2	680.1		1.02
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071 214 1050 (general enquiries) 071 214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	52.84	54.73	-	5.0
Income Plus	50.07	51.10	-	7.4
James Capel Fund Managers Ltd				
European Exempt.	111.743	112.958	+0.361	2.96
Japanese Exempt.	116.310	118.128	+4.392	-
Managed Exempt.	131.608	139.075	+1.045	3.02
North American Exempt.	105.86	107.604	+0.056	[illegible]
Pacific Exempt.	115.715	118.02	[illegible]	2.87
Cent. Bd. of Fin. of Church of England				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Feb 28	604.15	609.40		4.74
Fxd Int.Sec Feb 28	155.70	156.45		9.27
Deposit Fund See Money Market Trust Funds.				
Charinco/Charishares (1000)F				

	Bid Price
Acuma Life Assurance Ltd	
The Glanty, Egham, Surrey TW2 9AT	
Fixed Interest	186.21
Index Linked Stk	181.32
UK Equity/UK Eq Inc	270.95
Smll Cos/UK Eq Gwth	204.07
Nth American	156.03
Far Eastern	354.06
European	172.62
Managed	225.09
World Growth	185.40
Money	157.17
Pen Fixed Interest	231.39
Pen Index Lnkd Stks	193.64
Pen UK Eq/UK Eq Inc	406.18
Pen Smll Cos/UK Eq Gwth	267.50
Pen Nth American	153.05
Pen Far Eastern	532.58
Pen European	169.13
Pen Managed	297.86
Pen World Growth	199.06
Pen Money	194.13
AEGON Life Assurance Co (UK) Ltd	
AEGON Hse, Lanark Sq, London E14	
Life Series 2	
Aggressive Prtflo Fund	135.7
Balanced Prtflo Fund	380.6
Cautious Prtflo Fund	[illegible]
Elite Fund	137.4
European Fund	110.2
Far East Fund	103.6
Fixed Interest Fund	[illegible]
International Fund	270.2
Money Fund	237.0
N. American Fund	202.2
Property Fund	385.5
UK Equity Fund	482.5
Swim Select Inv.	85.6
[illegible]	166.1
[illegible]	91.6
[illegible] Mngd Fd	104.8
Perpetual Mngd Fd	171.8
With Profits Fd	127.8
Pension Series 3	
Aggressive Prtflo Fd	[illegible]
Balanced Prtflo Fd	116.6

INSURANCES

Continued on next page

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Prolific Life & Pensions Ltd

Property Life Assurance Ltd

Providence Capitol Life Assc. Co Ltd

Provident Life Assoc. Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

Reliance Mutual

J Rothschild Assurance PLC

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assc. Society

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Sun Life Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Westwich Life Assurance Co Ltd

Windsor Life Assur. Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Albany International Assurance Ltd

CMI Insurance Co Ltd

Century Life International Ltd

Equitable Life (International)

Eurolife Assurance Group

Finance International Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

PanEuroLife

Providence Capitol International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

MANAGEMENT SERVICES

Capital Trust Financial Management

Chase de Vere PLC

ECU Terminvest PLC

Fairmount Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Lloyd George Management

Newport Investment Management

Orion Fund Limited

CANADA (SIB RECOGNISED)

GBC Asset Management

GUERNSEY (SIB RECOGNISED)

AIB Govett Inv Managers (Guernsey) Ltd

Adams & Neville Fd Mangt (Guernsey) Ltd

Barclays Bank Fd Managers (Guernsey) Ltd

Butterfield Fund Managers (Guernsey) Ltd

Equitable International Fund Managers Ltd

Hambros Fd Mgrs (CI) Ltd

Foster & Braithwaite Ltd

Independent Financial Group PLC

Johnson Fry Asset Managers Plc

Knight Williams & Company Ltd

Macquarie

Northern Rock

Pendleton May Financial Services Ltd

Rothschild Asset Management (CI) Ltd

Charles Stanley & Co Ltd

United Financial Corporation Ltd

J. D. Ward Financial Services Ltd

Hambros Fd Mgrs — Contd.

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lion World Fixed Income Fund

Lloyds Bank Money Market Fund Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Royal Bank of Canada Offshore Fd Mgrs Ltd

Schroder Investment Mngt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

ANZ Managed Co (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bucksmore Global Investments Ltd

Investment Portfolio Svs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Midland Bank Fund Managers

Rothschild Asset Mngmt (CI) Ltd

Rudolf Wolff Fund Managers

IRELAND (SIB RECOGNISED)

Federated International Funds Plc

GAM Fund Management Ltd

GT Asset Management (Ireland) Ltd

Mercury Fund Managers Ltd

Prolific International Fund Plc

Swiss Life Investment Fund

IRELAND (REGULATED)(**)

Bank of Ireland Unit Managers Ltd

Baring International Fd Mngrs (Ireland) Ltd

Baring Mutual Fund Mngrs (Ireland) Ltd

Chemical Fund Administrators Ltd

Genesis Portfolio Managers Limited

Hambros Fund Managers (Ireland) Ltd

Morgan Grenfell Fund Mngrs (Ireland) Ltd

Paine Webber Offshore Funds Plc

Rothschild International Asset Mgmt

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mgrs (IoM)

Asset Global Funds Ltd

CMI Fund Management

Gartmore Fund Managers (IoM)

Mercury Fund Managers IoM Ltd

Sun Life Management (IoM) Ltd

ISLE OF MAN (REGULATED)(**)

AXA Equity & Law Intl Fund Mgrs

Appleton Financial Advisers Ltd

City Financial Admin (IoM) Ltd

Gartmore Fund Managers (IoM)

John Govett Management (IoM) Ltd

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
[illegible] Funds Limited				
Intl Stlg Gwth	£22.18	23.36	....	-
Intl $US Gwth	$18.53	[illegible]	....	-
High Income Gilt	£27.52	28.53	....	-
International Equity	£22.84	24.06	....	-
International Bond	£24.71	25.62	....	-
Managed Currency	£28.13	28.42	....	-
Sterling Currency	£26.87	27.15	....	-
US$ Currency	$37.89	38.29	....	-
Irish £ Currency	I£19.91	16.08	....	-
R & H Fund Managers Ltd				
LFM Sterling Fd	£11.42	11.90	....	-
B.F. Offshore Inc Fd Ltd	£12.58	13.11	....	-
IMG Offshore Fd	£10.01	10.84	....	-
[illegible] W/W $/$	£11.62	11.95	....	-

JERSEY (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey 0534 36633						
AIB Currency Funds Ltd						
Intl Managed Bond	5		I£-22.[illegible]	22.[illegible]	....	-
Managed Capital Bd	5		I£-22.4643	22.[illegible]	....	-
AIB Global Currency Fund Limited						
Stlg Mngd Currency	5		£-	11.1210	....	-
Sterling Currency Fd	5		£-	10.6870	....	-
Ecu Currency	5		Ecu-	11.1204	....	-
US Dollar Mngd Curr	5		$-	21.7782	....	-
Barclays International Funds						
PO Box 152, St Helier, Jersey CI 0534 67888						
Australian Eq (inc)	5¼	£1.053	1.058	1.132	[illegible]	0.9
Global Income (inc)	5¼	£0.570	0.577	0.617	[illegible]	2.6
Global Resources	5¼	£0.454	0.459	0.491	[illegible]	0.2
Currency Funds						
Stlg Premium Income		£10.02		10.05d	....	5.7
Sterling		£-		23.84	....	5.5
US Dollar		$-		32.62	+0.02	1.8
Deutschemark		DM-		61.68	+0.04	7.3
Yen		Y-		4235	....	1.7
Managed Multicurrency		£-	15.99	16.56	+0.12	-
Managed Multicurrency		$-	26.11	27.04	+0.41	-
Bond Funds						
Sterling Bond	3½	£-	0.438d	0.455	[illegible]	9.1

	Bid Price	Offer Price	+ or -	Yield Gross
Lloyds Bank Trust Co (CI) Mngrs				
Lloydstrust World Inc Port	£2.622	2.7891	....	1.21
Dealing Weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£10.35	10.40	+0.05	9.04
Minerals, Oils Res. Shrs. Fd. Inc.				
Moves Mar 4	$13.80	14.09d	....	2.84
For Nat. Westminster see Coutts & Co.				
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Mar 4	$36.95	38.25	....	-
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Gwth Fd	$3.7710	4.0075	....	-
Offshore Japanese Gwth Fd	$0.9663	1.0269	....	-
Offshore Am Gwth Fd	$6.6932	7.1129	....	-
Offshore Emerging Cos	$4.1816	4.4435	....	-
Offshore European Fd	$1.5989	1.6989	....	-
Offshore Asia Smaller Mkts	$0.9502	1.0000	....	-
Offshore Global Bond	$1.0108	1.0530	....	-
Offshore Global Bond Acc	$1.0108	1.0530	....	-
Offshore Far Eastern Fd	$2.5719	2.7332	....	-
Offshore UK Growth Fd	[illegible]	[illegible]	....	-
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				
NAV Feb 28		$4.41	....	-
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
[illegible] Growth Fund	£16.[illegible]	16.71	....	1.43
LFM [illegible]	£11.[illegible]	12.32	....	-
Royal Trust Intl Fd Mngt Ltd				
Sterling Fxd Int (z)	100.40	101.30d	+0.20	6.80
International Bond (z)	$1.158	1.170d	+0.008	5.13
(Prices on Mar 3 Next dealing Mar 10.				
Schroder Mngt Services (Jersey) Ltd				
Schroder Money Funds Ltd				
Sterling		£36.9896	....	5.18
US $		$48.9422	....	1.79
D-Mark		DM84.6694	....	7.50
Swiss Franc		SFr78.2959	....	4.43
Yen		Y5185.16	....	2.15
Scimitar Worldwide Money Fund Ltd				
Sterling		£25.8882	+0.0125	6.97
US $		$37.3984	+0.0075	2.45
D-Mark		DM81.7530	+0.0468	7.19
Swiss Franc		SFr60.4120	+0.0284	5.34
Japanese Yen		Y7718.3294	+1.9912	2.53
Australian $		A$41.7510	+0.0170	5.14

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

JERSEY (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

EMS currencies stronger

The D-Mark continued to come under pressure yesterday, weakened by expectations of further rate cuts, *writes Emma Tucker*.

The fall in the German currency followed the Bundesbank's decision to cut the interest rate on its 14-day repo on Friday. This enabled other European monetary system currencies to maintain stronger positions, with the franc, the peseta, the lira and the pound benefiting in particular.

Profit taking on the dollar was the other main feature of foreign exchange trading in Europe yesterday. After the ebullience that greeted Friday's excellent non-farm payroll figures, the dollar eased slightly as investors calmed down ahead of this week's economic data, expected to reflect more modest growth.

"The market is coming back to reality," said Mr Jeremy Hawkins, senior economic adviser at Bank of America in London. "Although there are genuine signs that the US economy is growing, there has been nothing else in terms of data so far to suggest that it is growing at the rate indicated by last week's payroll figures."

Although underlying sentiment towards the US currency remains bullish, the dollar closed about half a pfennig weaker in London at DM1.6625.

Among EMS currencies the Spanish peseta advanced steadily against the D-Mark. Dealers said that widespread expectations of a cut in Germany's officially posted rates on March 18 was helping to calm fears that the Bank of Spain would be forced to prop up the peseta at current levels. The peseta closed at Pta71.08 compared with Friday's close of Pta71.37.

The pound was slightly weaker than on Friday, but managed to stay above the DM2.40 level for most of the day. Mr Hawkins commented that encouraging credit business figures helped the pound maintain its level.

"A lot of the talk about the UK recovery has been anecdotal. At the moment the rise in credit is one of the few hard pieces of data suggesting that the upturn in demand is sustainable," he said.

According to analysts, reservations about sterling still abound, but they are mainly political. There was some nervousness yesterday about a possible government defeat over Maastricht. However, sentiment is generally more favourable. Analysts at Bank of America are forecasting a rise in sterling to DM2.60 towards the end of the year.

The yen was expected to weaken yesterday after the latest Bank of Japan Tankan survey showed corporate confidence to be very gloomy. But dealers reported a big move back into the yen in the afternoon. One commented that although the domestic fundamentals behind the yen looked poor, the market was focusing on Japan's strong trade surplus. The yen closed in London at Y116.5 against the dollar, compared with Friday's close of Y117.8.

£ IN NEW YORK

Mar.8	Latest	Previous Close
£ Spot	1.4450-1.4460	1.4465 1.4475
1 month	0.38-0.37pm	0.43 0.42pm
3 months	0.97-0.95pm	1.04 1.02pm
12 months	2.74-2.67pm	3.00 2.90pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Mar 8	% Change from Central Rate	% Spread v. Weakest Currency	Divergence Indicator
Spanish Peseta	142.150	138.325	[illegible]	3.46	47
Irish Punt	0.809996	0.799425	-1.31	2.01	49
Portuguese Escudo	180.624	178.703	-1.06	1.76	18
Belgian Franc	40.2802	40.0536	-0.56	1.25	23
Dutch Guilder	2.20045	2.18648	-0.63	1.32	27
D-Mark	1.95294	1.94585	-0.36	1.04	18
Danish Krone	7.44934	7.46143	0.16	0.51	-11
French Franc	6.54988	6.59427	0.68	0.00	-42

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

*Floating rate. Iran Official rate £98.50 $66.30

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls April	Calls June	Calls September	Puts April	Puts June	Puts September
114	-	3.55	-	-	0.16	-
115	-	2.76	-	-	0.28	-
116	1.62	2.04	-	0.11	0.52	-
117	0.84	1.37	1.92	0.31	0.81	-
118	0.30	0.84	1.37	-	-	-
Open int	29,800	168,919	23,168	10,059	89,131	15,558

Estimated volume 30,665 † Total Open Interest 336,385
† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

Bank forecasts surplus

OVERNIGHT LENDING rates in the UK money markets dropped to 4 per cent yesterday morning, after the Bank of England forecast a cash surplus of £100m.

The Bank said this was the first time it had forecast a surplus for almost three years. The last time it needed to smooth out the imbalance between the government's accounts and the private sector by selling Treasury bills into the market was in April 1990.

According to the Bank there were no special circumstances behind the surplus. On most days more money flows from the commercial banks to the government than vice versa, so the banks' holdings of liquid assets are run down and the money market finds itself with a shortage of funds which the Bank then relieves.

All that happened yesterday was that more money flowed from the government to the commercial banks so the Bank had to drain the system of excess liquidity, in order to maintain control over short term lending rates.

UK clearing bank base lending rate 6 per cent from January 26, 1993

Money market dealers reported that although money was easy as a result of the surplus, longer dated rates were scarcely affected.

One-week money rates dropped to around 5⅞ per cent from Friday's 6⅛ per cent while one-month money also eased to around 6 per cent on the offered side from 6⅛ per cent.

The key three-month interbank rate, seen as a good guide to base rate trends, eased to 5$\frac{15}{16}$ on the offered side, from 6$\frac{1}{16}$ per cent.

In the afternoon the Bank revised the surplus to £200m. It then sold the market £200m of Treasury bills, due on March 12 at 5⅞ - 5$\frac{9}{16}$ per cent.

Dealing in short-sterling futures was quiet. The June contract traded in a narrow range closing virtually unchanged on the day at 94.60.

In France there was more activity. The June French franc contract rose over 20 basis points, buoyed by a stronger franc. The market believes that with a firmer franc, the French authorities will be able to lower their short term interest rates in the near future. The June contract ended the day at around 91.63, from an open of 91.41.

Three month interbank rates in France were sharply lower. They were quoted yesterday at 10$\frac{15}{16}$ per cent compared with 11⅛ per cent on Friday.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

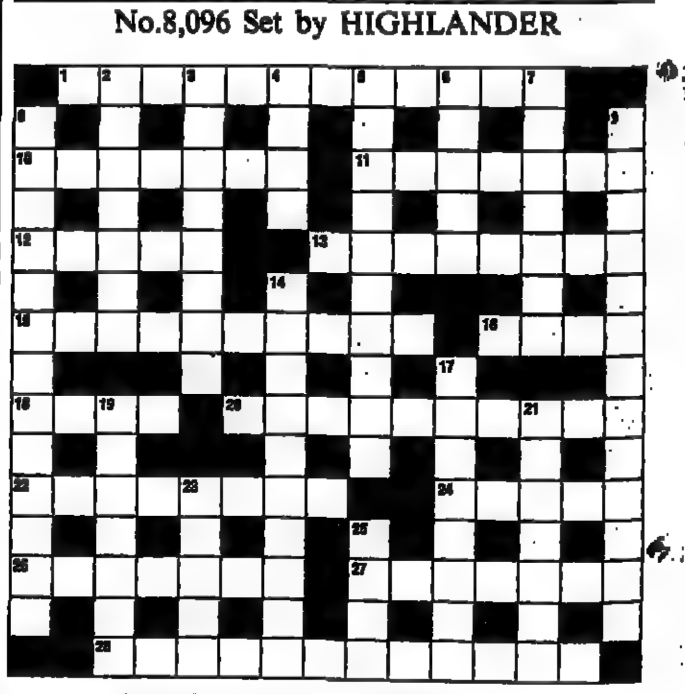
MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.8,096 Set by HIGHLANDER



ACROSS

1 Bright and fresh on Sunday; has choice and sleeps over (5-3-4)
10 Underground resident takes watch out by hand (7)
11 Cheated yet, thus disheartened, married again (7)
12 Unusual route (5)
13 Charm not working? Explain in detail (5,3)
15 Good offices letting in cold require treatment (10)
16 Knot in trunk, running from right to left (4)
18 Cut off from moor (4)
20 Rustics rely on railway workers (10)
22 Track high-pitched sound to end of the exhaust (8)
24 Part of parish church is completely dry (5)
26 God with heavenly body (7)
27 Clever graduates show first, there's the rub! (7)
28 Bloody treaty led to change in important occasion (3-6,3)

DOWN

2 Turned religious and made sign of cross (7)
3 Frenchmen appear in force for business (8)
4 Spots one with new content (4)
5 Said erroneously to have parking location, but let down (10)
6 Danger for every one left behind (5)
7 Recently cut fresh beef as stated (7)
8 Helpful when putting up (13)
9 Senior journalist could be hired if it once altered (6-2-5)
14 A most unusual sense of panic, they say, is in the air (10)
17 He suggests marriage to professional model (9)
19 Fast boat – could be cutter (7)
21 Unfortunately butt is the wrong way up for this wine (7)
23 Repeatedly strike for money (5)
25 Obscenity turns stomachs over (4)

Solution to Puzzle No.8,095

SOMETIME MEGRIM
ABDICATE PENNON
DARTS HELLTOPAY
STRAND ALASSIO
UNDATED BONBON
EXTENSION TITLE
RUNOFF MADEFAST
DREARY DEMANDED

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close March 8

MONTREAL

4 pm close March 8

INDICES

Base values of all Indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ◆ The DJ Indi. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

M.S. Capital Intl.(1/1/70) $	520.2*	512.6	513.7	515.6	542.10 (7/1/92)	467.50 (8/4/92)
Euro Top-100 (26/6/90)	950.71	946.94†	941.95	945.63	978.55 (25/5/92)	772.52 (5/10/92)

**Saturday March 6. Taiwan Weighted Price 4,723.68, Korea Comp Ex. 605.93
‡ Subject to official recalculation † Correction. *Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, 863.28, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 25 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Monday, March 8, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	22.0m	307	+16	Nippon Zeon	5.8m	572	+42
NEC	17.8m	711	+90	Nomura Sec	5.4m	1500	+70
Kaken Pharm	8.5m	1390	+40	Isuzu Motor	5.2m	374	+29
UBE Inds	6.1m	980	+42	Showa Shell	5.1m	867	+29
Fujikura	6.1m	810	+15	Green Cross	4.7m	1250	+40

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close March 8

1992/93 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

- C -

- D -

- E -

- F -

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- H -

- I -

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- K -

- L -

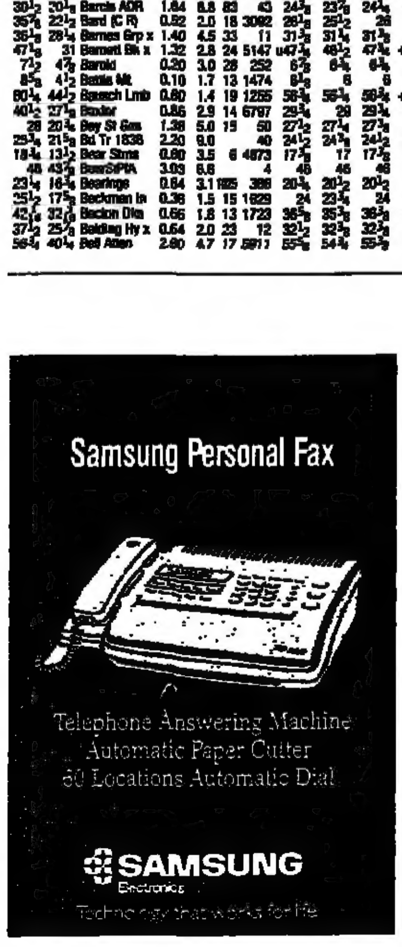
- M -

- N -

- O -

- P - Q -

- R -



Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992/93 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
22⅝	14⅞	Ruddick	0.24	1.1	18	138	22	21½	21⅝	-⅛
37	18	RussBerrie x	0.70	3.0	5	2128	24⅛	22¼	23	+⅜
40⅝	27¾	Russell Cp	0.36	1.1	18	675	33	32½	32⅝	+⅛
32¼	19⅝	Ryder Sysl x	0.60	2.0	21	1434	30¼	29⅜	30¼	+1¼
28	18	Ryland Grp	0.60	2.7	13	405	22	21½	22	+⅛

- S -

1992/93 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
21¼	16⅞	S Anita Rt x	1.36	6.5	31	137	20⅞	20⅝	20⅞	
20⅝	13⅛	SCOR US Cp	0.28	1.4	51	4	x20¾	20½	20⅝	+⅛
29½	19	SPS Techno	1.28	5.3	17	38	24⅛	23⅞	24	-½
15⅛	12⅛	Sabine Rt	1.25	9.4	10	99	13¾	13⅛	13¾	
11⅞	7¾	Safecard	0.10	0.9	14	161	10⅞	10½	10⅞	+¼
23½	11⅜	Safegrd Sc			11	161	22	21⅝	21⅝	-⅛
32¼	20	SafetyKln	0.36	1.8	28	1044	22	21⅞	22	+⅛
20¼	9⅝	Safeway			15	3113	12⅝	12¼	12½	+⅛
4⅝	2	SafewayW96				42	2⅝	2½	2⅝	+⅛
41⅞	29⅜	StJoePaper	0.20	0.5	84	400	u43⅛	41⅝	43⅛	+1¾
38	28⅞	StJosL&P	1.76	4.9	16	11	36⅛	35⅞	35⅞	-⅛
89¼	66½	St Paul's	2.80	3.5	20	633	80¼	77⅜	80⅛	+2½
10	2⅞	Salant Crp			6	23	9	8⅞	8⅞	+⅛
76	45½	Sallie Mae x	1.20	2.2	12	8021	53½	50⅞	53⅝	+2⅝
14⅞	13	Salomon Br	0.61	4.4		783	13⅞	13½	13⅞	+¼
41⅞	28¾	Salomoninc	0.64	1.6	8	2388	41⅛	40½	41	+⅜

NASDAQ NATIONAL MARKET

4 pm close March 8

AMEX COMPOSITE PRICES

4 pm close March 8

Price data supplied by Telekurs

AMERICA

Dow gets lift from fast rise in bond prices

Wall Street

Fast-rising bond prices gave a big lift to US equity markets yesterday, with leading stock indices approaching record levels, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was 40.26 higher at 3,444.84 – the record close for the index is 3,442.14, achieved on February 5. The more broadly based Standard & Poor's 500 was up 5.66 at 451.77, while the Amex composite was 1.17 higher at 414.97, and the Nasdaq composite up 4.43 at 685.80. Trading volume on the NYSE was 155m shares by 1 pm.

Stock prices opened strongly, helped by news of big gains in foreign markets, especially London and Tokyo. Yet it was the performance of US bond prices that set equities alight.

Only one trading day after the government released a strong set of employment data which looked bad for bond market sentiment, long-dated Treasury yields were down to historic lows. The bond market was reacting to reports that President Clinton was planning more spending cuts than originally announced in his budget.

Equity investors responded well to the drop in bond yields, because lower interest rates help spur economic growth and corporate profitability. The gains in stocks were also partly attributed to a more considered reaction from investors to Friday's employment news which, some analysts believe, could herald a significant turnround in the domestic jobs market.

Among individual stocks, Philip Morris was the day's most heavily traded issue. The share price of the tobacco and foods group fell another $1¼ to $63½, nearing its 52-week low, in volume of more than 2m shares as investors continued to sell on fears that the government will impose a heavy tax on cigarettes.

Among busily traded drug stocks, Glaxo fell $¾ to $18⅞ on reports that the Food and Drug Administration may take legal action against the UK company because of an allegedly illegal advertising campaign. Others in the sector, however, were in demand yesterday, with Pfizer up $1¼ at $60, Schering-Plough $1 firmer at $59⅞, Johnson & Johnson up $1⅛ at $41⅝, and Bristol Myers Squibb $⅞ higher at $57⅝.

Charles Schwab jumped $2 to $34⅞ as investors responded to last week's news that customer business at the discount broker reached a record 40,000 trades a day in February.

On the Nasdaq market, leading technology stocks were actively sought. Microsoft firmed $1¼ to $84, Apple added $1⅛ at $56⅛ and Intel rose $2¼ to $118.

SAO PAULO rose 6.4 per cent in heavy early trade, the Bovespa index gaining 896 at 14,746 by 1300 local time.

Trading was nervous after press reports on Sunday that Mr Paulo Haddad, the former Brazilian economy minister, had planned a price freeze as a way to stabilise the economy. Mr Eliseu Resende, Mr Haddad's successor, has said that he might use elements of Mr Haddad's anti-inflation plan.

Canada

TORONTO edged higher in thin midday trade and the TSE-300 index was 14.11 ahead at 3,538.60 in volume of 24.2m shares. Weak gold miners included Placer Dome which dipped C$⅛ to C$16⅝. Lac Minerals eased C$¼ to C$8⅝.

Northern Telecom rose C$1⅛ to C$57⅛ in active trade on expectations of an announcement of a joint venture with Robert Bosch, the German industrial group.

EUROPE

Bourses produce limited response to US vitality

BOURSES, even the late closing ones, had little time to respond to the mid-morning access of vitality on Wall Street, *writes Our Markets Staff.*

PARIS saw the CAC 40 index rise 9.14 to 2,004.26, but dealers said business was flat and dull as market turnover fell from FFr3.8bn to FFr2.6bn. Volume in Suez, still the bourse's speculative lead, dropped considerably on the day.

However, a selection of speculative feelers were put out in the advertising and television business. Havas, the media and leisure group, rose FFr17.90 to FFr491.90 as gossip moved between the possibility of a share swap with CEP Communications (which rose FFr9 to FFr424), or a merger with Canal Plus, the television group. Canal Plus closed FFr22 higher at FFr1,380.

FRANKFURT shrugged off light early losses to end with the DAX 12.00 ahead at 1,694.82. Banks were mostly higher on interest rate hopes following the Bundesbank's repo rate move last Friday, and chemicals were relatively weak as the market waited for dividend cuts from the big three this week.

However, the main gains of the day covered a wide spectrum: Schering, in pharmaceuticals, up DM11.50 to DM770, Volkswagen DM6.40 better at DM288.40, Karstadt in retailers DM11 higher at DM794 and Linde, in engineering, DM10.50 higher at DM799.50.

Schering, which has risen DM35 over the past three days, has been seeing fund managers, said Mr Rod Hinkel at Hoare Govett, and its chickens may come home to roost when it sees analysts, and produces DVFA earnings in just under two weeks' time. Karstadt seems to have responded to some Kaufhof sales figures and VW, the subject of analytical argument, has just attracted a buy note from one broker.

BRUSSELS saw the Bel-20 index close 7.66 higher at 1,227.85 on hopes for lower European interest rates, a strong rise in the dollar and some speculative buying.

Société Générale de Belgique closed BFr100, or 4.5 per cent higher at BFr2,345. Rumours included a raid on its parent company, Suez, stories that Suez might want to sell its 61 per cent stake and talk of SGB selling parts of its industrial portfolio, notably a stake in its non-ferrous metals subsidiary unit, Union Minière. Arbed, in which SGB has a 26 per cent stake, closed BFr120, or 4.2 per cent better at BFr2,980.

AMSTERDAM was led ahead by a round of short-covering, particularly in cyclicals, and the CBS Tendency index rose 0.8 to 102.6. Philips was busy, rising 50 cents to Fl 23.30, as domestic and foreign investors began to look at the rest of this year, and 1994. Among cyclicals, DSM added Fl 3.40 to Fl 76.90 and Akzo put on Fl 3.20 to Fl 150.00.

The conglomerate, Begemann, shed Fl 1.50 to Fl 37.50 after two subsidiaries took the market by surprise and sought protection from creditors. The retailer, Ahold, added Fl 1.20 guilders to Fl 94.90 after better-than-expected results from its 73 per cent owned subsidiary, Schuitema, the wholesaler.

MILAN remained unfazed by the quickening pace of political developments and the corruption scandal and it was, instead, technical considerations that left shares lower after their strong showing last week.

The Comit index fell 7.34 to 528.13, reflecting declines in blue chip issues ahead of the expiry later in the week of March options. Fiat settled down L52 to L5,878 and Generali shed L550 to L36,900.

Shares of construction companies, however, went against the trend in response to government measures announced over the weekend to unblock contracts for public works, stalled for almost a year in corruption tangles.

The cement maker, Italcementi, gained L299 to settle at L11,117 while the holding company, Italmobiliare, firmed L900 to L41,500. Mr Salvatore Ligresti's Grassetto jumped L840 to settle at L6,900 while his Premafin Finanziaria development company settled L550 higher at L6,000, amid continuing speculation about an impending sale.

MADRID closed at a new high for the year, the general index rising 2.02 to 240.54 on the strong peseta, a jump in construction stocks and optimistic inflation forecasts.

The construction sector was boosted by government plans to increase spending on infrastructure, Ocisa leading with a Pta280, or 15 per cent rise to Pta2,150. In contrast, the electrical utility, Iberdrola lost Pta16 to Pta734 in 5.25m shares, accounting for 18.3 per cent of the total Pta21.2bn turnover figure.

STOCKHOLM found support in demand for heavy engineering shares and the Affärsvärlden index rose 7.06 to 1,039.0. The machine tool group, Sandvik, saw its B shares add SKr10 to SKr475 in response to Friday's preliminary 1992 earnings report and favourable 1993 forecasts.

Volvo continued to gain ahead of its full-year figures due on Thursday. Volvo's B shares were up SKr6 to SKr415 in continued heavy trading.

B shares in the medical equipment group, Gambro, rose SKr 2 to SKr338 after it reported a 27 per cent rise in 1992 pre-tax profits.

OSLO climbed to a 1993 high in active trade, boosted by the central bank's move, after the market closed on Friday, to cut its key overnight lending rate by 25 basis points to 9.0 per cent. The all-share index rose 8.4 to 420.4 in turnover of NKr535m.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

March 8 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1161.52	1160.61	1161.72	1161.39	1163.51	1165.45	1165.31	1165.04
FT-SE Eurotrack 200	1224.84	1226.68	1228.83	1225.68	1226.76	1230.74	1227.69	1229.32

	Mar 5	Mar 4	Mar 3	Mar 2	Mar 1
FT-SE Eurotrack 100	1159.70	1156.15	1158.99	1158.71	1158.20
FT-SE Eurotrack 200	1225.29	1216.30	1221.03	1211.84	1213.57

Base value 1000 (26/10/90) High/day: 100 - 1166.91; 200 - 1231.90 Low/day: 100 - 1159.87 200 - 1224.76.

ASIA PACIFIC

NTT surge helps Nikkei rise 5% to three-month high

Tokyo

SHARE prices climbed 5.1 per cent to a three-month high as public funds stepped up support to prevent a market slide after the arrest of Mr Shin Kanemaru, former king-maker of the ruling Liberal Democratic Party, was announced last weekend, *writes Emiko Terazono in Tokyo.*

The Nikkei average ended 868.77 stronger at 17,686.47, the first time it has closed above 17,500 since December 25 last year. The index opened at the day's low of 16,855.62 and rose as high as 17,727.30.

Volume totalled 550m shares, the heaviest since last September. Advances overwhelmed declines by 1,035 to 60, with 55 issues unchanged. The Topix index of all first section stocks jumped 52.29 to 1,320.90 and, in London, the ISE/Nikkei 50 index closed 1.74 up at 1,055.35.

Buying by public funds triggered a rally in the futures market, prompting arbitrage purchases and a rush of short-covering.

Traders said the approval of the fiscal 1993 budget in the House of Representatives last weekend, paving the way for the government to draw up an additional economic stimulus package, also improved sentiment. "We could be seeing a new trading range for the market," said Mr Yasuo Ueki at Nikko Securities.

Nippon Telegraph and Telephone gained Y75,000, or 10.6 per cent, at Y780,000. The issue had risen by 28.5 per cent over the previous eight trading days on speculation that the next fiscal stimulus package will focus on measures to upgrade the country's telecommunications infrastructure.

Officials at the Ministry of Post and Telecommunications are also likely to approve a rate increase for city calls later this year. Traders noted heavy trading by speculative dealers yesterday, but said a sustained rise above the Y800,000 level would be unlikely.

Companies expected to benefit from a boost in telecommunications-linked spending gained ground. NEC appreciated Y50 to Y711 and Fujikura, a cable concern, Y15 to Y610.

Other export-oriented high-technology issues were higher on the stronger dollar against the yen. Pioneer added Y170 at Y2,150 and TDK Y190 at Y3,210.

Aids-related stocks advanced on reports that Nippon Zeon and Ube Industries were co-developing an anti-Aids drug. Nippon Zeon rose Y42 to Y572 and Ube Y42 to Y360. Green Cross, a speculative favourite, climbed Y40 to Y1,250.

In Osaka, the OSE average put on 643.43 at 18,484.28 in volume of 132.8m shares. Nintendo, the video game maker, firmed Y280 to Y9,880.

Roundup

MANY OF the Pacific Rim markets displayed an easier trend.

HONG KONG took time to consolidate after last week's rise, but the market remained underpinned by hopes that China and Britain will soon re-open talks on the colony's future.

The Hang Seng index shed 20.65 to finish at 6,482.16 and turnover dipped from HK$4.69bn to HK$3.3bn.

Blue chips were mostly lower, with utilities losing the most. However, HSBC rose HK$1 to HK$69 on expectations of good annual results being reported next week.

AUSTRALIA continued to be unsettled by Labor's gains in the latest opinion polls and shares closed firmer but off their highs. The All Ordinaries index finished 3.5 up at 1,617.1, after peaking at 1,620.3.

Turnover was a light 111.2m shares worth A$189m, with overnight trades of 3.4m News Corp shares and 2m Kolback shares contributing to the volume. News Corp added 7 cents at A$7.22 and Kolback put on 4 cents at 37 cents.

SINGAPORE was dominated by speculative Malaysian shares traded over the counter and the Straits Times Industrial index closed 3.67 higher at 1,661.04.

The first day of options trading made a slow start, with most investors, unfamiliar with the new trading instrument, said to be reluctant to test it.

TAIWAN saw some early institutional demand for industrial stocks but the mood turned negative as heavy profit-taking began among financial issues. The weighted index finished 122.07, or 2.6 per cent, lower at 4,601.58 in active turnover of T$74.7bn.

KUALA LUMPUR saw some speculative buying but blue chips remained under pressure. Falls in leading component stocks dragged the composite index down 0.41 to 637.93.

SEOUL reversed nine consecutive days of declines and the composite index rebounded 19.69 to 625.62.

SOUTH AFRICA

JOHANNESBURG finished ahead, but off the day's high on nervousness about pending results and the March 17 budget. The overall index gained 6 at 3,391, with industrials 15 better at 4,421 and golds 5 firmer at 998.

European impetus for global equities

MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1993	% change sterling † Start of 1993	% change in US $ † Start of 1993
Austria	+2.68	+6.21	-16.54	+9.46	+11.14	+6.15
Belgium	+1.52	+1.08	+0.62	+9.37	+11.34	+6.33
Denmark	+1.53	-0.75	-16.30	+10.45	+13.48	+8.38
Finland	+6.51	+16.61	+21.93	+24.22	+12.72	+7.66
France	+0.63	+4.95	+1.72	+8.73	+11.28	+6.28
Germany	+0.38	+3.16	-6.63	+10.30	+12.20	+7.16
Ireland	+3.15	+1.94	-5.87	+13.02	+6.12	+1.36
Italy	+4.45	+7.17	+10.68	+24.08	+21.53	+16.07
Netherlands	+2.40	+4.84	+7.42	+9.86	+11.64	+6.63
Norway	+2.08	+1.39	-9.85	+4.02	+6.91	+2.11
Spain	+2.03	-0.56	-7.48	+12.63	+13.81	+8.70
Sweden	+2.82	+10.06	+16.78	+9.12	+4.43	-0.26
Switzerland	+1.70	+0.67	+14.63	+3.63	+2.86	-1.77
UK	+1.93	+1.91	+16.19	+3.46	+3.46	-1.19
EUROPE	+1.71	+3.00	+7.24	+7.26	+7.73	+2.89
Australia	+0.44	+5.30	-1.12	+4.14	+12.24	+7.19
Hong Kong	+2.23	+14.38	+26.97	+18.15	+23.85	+18.29
Japan	-1.48	-3.30	-15.28	-3.12	+7.64	+2.81
Malaysia	+0.63	+2.82	+17.22	+6.38	+11.23	+6.24
New Zealand	+0.70	+2.26	+3.51	+3.11	+10.69	+5.71
Singapore	+0.20	+1.08	+5.81	+4.71	+9.30	+4.39
Canada	+1.86	+3.84	-4.18	+3.80	+10.64	+5.67
USA	+0.58	-0.70	+9.70	+2.27	+7.80	+2.27
Mexico	+6.86	-4.07	-11.44	-9.10	-4.31	-8.60
South Africa	-1.17	-2.25	-7.83	+4.09	+16.41	+11.17
WORLD INDEX	+0.39	-0.11	+1.22	+2.32	+7.80	+2.97

† Based on March 5th 1993. Copyright, The Financial Times Limited, Goldman, Sachs & Co, and NatWest Securities Limited.

By William Cochrane

Europe provided most of the impetus for global equities last week. But a 1.7 per cent gain, leaving the FT-Actuaries World Index up 0.4 per cent in local currency terms, eventually owed little to the German interest rate prospects which seemed to obsess bourses earlier in the week.

Friday's big event – a repo rate cut by the Bundesbank, after it refused to alter the discount and Lombard rates on Thursday – had a negligible effect in France and Germany, serving mainly to cheer up the UK market ahead of Mr Norman Lamont's Budget statement a week today.

The big winners on the Continent were Finland and Italy. Both Helsinki and Milan have had a good start to the year; both have seen devaluations and, especially in the former, gains have come to more in local currency terms than when measured in the dollar.

Devaluation has had its positive effects, notes Mr Peter Tron of Unibank in London. Finland's strength, especially last week, reflected results from cyclical industrial and forestry groups, with the devaluation effect translated into reduced losses for 1992, and the prospect of positive earnings for the current year.

Italy, meanwhile, has been accentuating the positive in somewhat similar fashion, but with more obvious influences on the downside. The country's growing corruption scandal, moving higher and higher up the political and corporate hierarchies, seems to have been effectively discounted as investors chose to concentrate on the cheaper lira and lower interest rates which devaluation brought in its wake.

Also performing well last week was Mexico, retrieving some of its losses of the week and, indeed, of the two months before. Commentators said that a market destabilised by President Bill Clinton's equivocal commitment to the North American Free Trade Agreement seemed to have decided that Mr Clinton was solidly behind Nafta after all.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	FRIDAY MARCH 5 1993 — US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY MARCH 4 1993 — US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX — 1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	134.12	−0.6	137.52	99.75	116.24	126.01	−0.6	3.90	135.00	137.65	99.63	114.79	128.74	153.66	106.18	144.30
Austria (18)	148.78	−1.3	152.54	110.65	128.94	128.49	+0.3	1.75	150.75	153.72	111.26	128.19	128.10	186.70	131.16	174.82
Belgium (42)	141.66	−0.2	145.25	105.35	122.77	119.48	+1.3	5.05	141.94	144.73	104.75	120.69	117.96	152.27	131.19	139.29
Canada (113)	122.20	+0.2	125.29	90.87	105.90	110.52	+0.8	3.03	121.93	124.33	89.96	103.67	109.66	142.12	111.36	133.44
Denmark (33)	201.71	−1.1	206.82	150.01	174.82	175.44	+0.7	1.31	203.95	207.96	150.52	173.42	174.27	273.94	161.70	237.34
Finland (23)	74.94	−0.3	76.84	55.73	64.95	94.92	+1.2	1.45	75.20	76.68	55.50	63.94	93.82	89.80	52.84	79.47
France (98)	156.42	−1.3	160.38	116.32	135.55	138.69	+0.4	3.24	158.53	161.65	116.96	134.79	138.20	168.75	136.93	152.86
Germany (62)	111.49	−2.1	114.31	82.93	96.62	96.62	−0.2	2.37	113.83	116.07	84.02	96.79	96.79	129.69	101.59	118.77
Hong Kong (55)	262.08	+0.5	268.71	194.90	227.15	260.18	+0.5	3.53	260.88	266.01	192.53	221.84	258.96	262.28	176.36	203.54
Ireland (16)	137.62	−3.0	141.10	102.34	119.27	133.23	−1.0	3.94	141.93	144.72	104.74	120.68	134.62	173.71	122.98	159.27
Italy (75)	63.69	−0.9	65.30	47.36	55.20	74.92	−0.2	2.70	64.28	65.54	47.43	54.65	75.09	80.86	47.47	71.39
Japan (472)	107.96	−0.6	110.71	80.30	93.59	80.30	+0.1	1.04	108.66	110.80	80.19	92.41	80.19	140.95	87.27	113.48
Malaysia (69)	277.77	+0.3	284.80	206.56	240.73	280.18	+0.3	2.35	277.06	282.51	204.46	235.58	279.30	282.42	212.49	240.17
Mexico (18)	1506.12	−0.8	1544.24	1120.08	1305.31	5109.78	−0.6	1.17	1518.22	1548.08	1120.44	1290.94	5140.02	1789.77	1185.84	1740.42
Netherland (25)	161.44	−0.8	165.52	120.06	139.92	138.08	+1.1	4.16	162.72	165.92	120.08	138.36	136.58	169.70	147.88	149.35
New Zealand (13)	45.34	+0.3	46.49	33.72	39.29	45.69	+0.6	4.79	45.22	46.11	33.38	38.45	45.43	48.52	37.39	45.47
Norway (22)	140.61	+0.3	144.17	104.57	121.87	134.50	+1.7	1.95	140.16	142.91	103.44	119.16	132.26	192.95	128.05	168.77
Singapore (38)	222.73	−0.5	228.37	165.65	193.03	168.90	−0.3	1.96	223.80	228.20	165.16	190.29	169.45	229.63	179.65	205.44
South Africa (60)	164.65	+2.4	168.82	122.45	142.69	163.57	+1.3	3.06	160.78	163.94	118.65	136.71	161.48	263.60	134.21	215.15
Spain (46)	126.76	−0.1	129.96	94.27	109.85	113.98	+1.0	5.28	126.87	129.36	93.63	107.87	112.88	161.72	107.10	153.68
Sweden (36)	165.13	+0.2	169.30	122.80	143.11	189.14	+1.3	2.05	164.87	168.11	121.68	140.19	188.71	200.28	149.69	181.14
Switzerland (56)	111.01	−1.8	113.82	82.56	96.22	106.40	+0.0	2.03	113.09	115.31	83.47	96.17	106.39	122.37	95.99	97.48
United Kingdom (226)	170.31	+0.0	174.62	126.65	147.59	174.62	+0.6	4.20	170.29	173.63	125.66	144.78	173.63	200.07	161.86	173.91
USA (522)	182.14	−0.3	186.75	135.46	157.86	182.14	−0.3	2.78	182.65	186.25	134.80	155.32	182.65	183.74	160.92	165.16
Europe (778)	139.94	−0.7	143.48	104.07	121.29	133.92	+0.4	3.49	140.99	143.76	104.05	119.88	133.33	156.88	131.31	142.90
Nordic (114)	152.08	−0.2	155.92	113.10	131.80	153.03	+1.2	1.81	152.36	155.36	112.44	129.55	151.28	188.52	141.24	172.77
Pacific Basin (715)	113.99	−0.5	116.87	84.77	98.79	87.10	+0.1	1.38	114.61	116.87	84.58	97.45	86.99	141.97	93.70	117.40
Euro−Pacific (1493)	124.48	−0.6	127.63	92.57	107.88	105.48	+0.3	2.35	125.28	127.74	92.45	106.52	105.19	145.21	113.80	127.86
North America (635)	178.41	−0.3	182.93	132.70	154.65	177.28	−0.2	2.79	178.88	182.40	132.03	152.13	177.71	179.60	158.70	163.14
Europe Ex. UK (552)	121.09	−1.3	124.15	90.07	104.97	111.24	+0.4	3.01	122.63	125.04	90.52	104.29	110.84	132.98	111.33	123.80
Pacific Ex. Japan (243)	172.82	+0.0	177.19	128.54	149.79	158.41	+0.0	3.40	172.86	176.26	127.59	147.00	158.35	175.31	146.06	156.16
World Ex. US (1684)	125.67	−0.8	128.85	93.47	108.92	107.51	+0.3	2.37	126.39	128.87	93.28	107.47	107.20	148.91	115.99	130.05
World Ex. UK (1980)	141.20	−0.5	144.77	105.01	122.38	126.16	+0.0	2.36	141.91	144.70	104.73	120.67	126.17	150.58	127.21	137.77
World Ex. So. Af. (2146)	143.70	−0.5	147.34	106.88	124.55	130.05	+0.0	2.54	144.38	147.22	106.56	122.79	130.00	153.05	130.04	140.46
World Ex. Japan (1734)	163.96	−0.4	168.11	121.95	142.12	159.89	+0.0	3.05	164.59	167.83	121.48	139.97	159.85	165.40	151.93	156.71
The World Index (2206)	143.74	−0.4	147.37	106.90	124.58	130.38	+0.0	2.54	144.38	147.22	106.56	122.78	130.32	153.70	130.66	140.92

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